

State of Idaho
Dirk Kempthorne, Governor

General Fund Revenue Book

**FY 2002 Executive Budget
January 2001**

- Economic Forecast
- Revenue Projections
- Tax Structure

prepared by the Division of Financial Management

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INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)¹. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast is contingent upon that assumed weather pattern actually occurring. Some other weather pattern will result in a different outcome for both farmers and the myriad of entities dependent upon the fortunes of farmers.

The contingent nature of an agricultural model demonstrates the uncertainty associated with any model containing exogenous variables. Both sources of forecast error are present in any model that is dependent on explanatory variables. Since most of Idaho's revenue sectors depend heavily on Idaho income levels, the revenue forecast is particularly sensitive to those factors that influence Idaho's income.

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known as "export" and "residential"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within the State. The idea is that basic activities form the foundation of Idaho's level of economic activity, while domestic activities essentially follow from basic activities. While not a perfect theory, economic base theory does serve as a useful means of identifying the driving forces behind Idaho's overall level of economic activity.

¹ The IEM is in turn based on the Standard and Poor's DRI (DRI) Quarterly Model of the U.S. Economy. Descriptions of both are available in the current *Idaho Economic Forecast*, Division of Financial Management.

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Idaho Economic Forecast

The following tables and text are taken from the
January 2001 *Idaho Economic Forecast*,
a publication produced by the
Division of Financial Management.

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EXECUTIVE SUMMARY

The Gem State's economy is expected to shift into a lower gear over the forecast horizon. Idaho nonfarm employment is forecast to rise 2.3% this year, 2.4% next year, 2.4% in 2003, and 2.2% in 2004. However, this is still faster than national employment growth, which is expected to increase 1.1% in 2001, 1.2% in 2002, 2.0% in 2003, and 1.7% in 2004. One of the reasons Idaho outperforms the nation is because its manufacturing sector is expected to enjoy robust health while the nation's manufacturing sector sheds jobs. Idaho nominal personal income also advances faster than its national counterpart. However, the difference between these two measures may seem smaller than anticipated given the differences in job growth. This is because the national average annual wage is projected to rise faster than the Idaho average wage in every year of the forecast.

The U.S. economy is expected to slow this year, after posting an impressive gain in 2000. After years of clear skies, the current forecast calls for a cloudier outlook. DRI has identified four factors that could complicate the economy's journey over the short term. The first factor is high energy costs. The second factor is the stock market. Despite its recent slide, it remains overvalued and could be subject to further correction. The price/earnings ratio for the U.S. stock market stands near 23. Based on current earning estimates, the forward price/earnings ratio should be about 18, suggesting the market is still overvalued. The third factor is falling consumer spending. Swelling stock portfolios justified the shift in funds from saving to spending. The wealth effect also contributed to spending. Recent declines in the stock market have dampened consumer confidence and may cause a retreat from consumers' spendthrift spending. The fourth factor is the ballooning trade deficit. In the short run, these deficits do not present a problem. But in the long run, they will become increasingly hard to finance.

It should be noted that this Idaho economic forecast assumes that the Federal Reserve successfully slows the U.S. economy without plunging it into a recession. While there is a wealth of evidence to suggest that this is the most likely outcome, this result is by no means a given. In order to accomplish this, the nation's central bank would have pull off a rare second-straight soft landing. This maneuver is difficult enough even under the best circumstances. However, current conditions have complicated this policy. A policy misstep or unfortunate combination of factors could result in the economy performing below par. These results would be felt at the local level.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2001

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP (BILLIONS)										
Current \$	7,401	7,813	8,318	8,790	9,299	9,997	10,552	11,185	11,939	12,680
% Ch	4.9%	5.6%	6.5%	5.7%	5.8%	7.5%	5.5%	6.0%	6.7%	6.2%
1996 Chain-Weighted	7,544	7,813	8,159	8,516	8,876	9,343	9,677	10,097	10,579	10,979
% Ch	2.7%	3.6%	4.4%	4.4%	4.2%	5.3%	3.6%	4.3%	4.8%	3.8%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	22,869	24,174	25,217	26,986	28,582	30,767	32,708	34,688	36,899	39,177
% Ch	6.9%	5.7%	4.3%	7.0%	5.9%	7.6%	6.3%	6.1%	6.4%	6.2%
Idaho Nonfarm (Millions)	22,073	23,298	24,548	26,067	27,633	29,854	31,645	33,622	35,817	38,082
% Ch	6.6%	5.6%	5.4%	6.2%	6.0%	8.0%	6.0%	6.2%	6.5%	6.3%
U.S. (Billions)	6,201	6,547	6,937	7,391	7,790	8,290	8,768	9,260	9,840	10,431
% Ch	5.3%	5.6%	6.0%	6.5%	5.4%	6.4%	5.8%	5.6%	6.3%	6.0%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	23,359	24,172	24,736	26,190	27,259	28,642	29,964	31,309	32,684	33,911
% Ch	4.5%	3.5%	2.3%	5.9%	4.1%	5.1%	4.6%	4.5%	4.4%	3.8%
Idaho Nonfarm (Millions)	22,545	23,297	24,079	25,298	26,353	27,792	28,990	30,346	31,725	32,962
% Ch	4.2%	3.3%	3.4%	5.1%	4.2%	5.5%	4.3%	4.7%	4.5%	3.9%
U.S. (Billions)	6,334	6,547	6,805	7,173	7,430	7,718	8,033	8,358	8,716	9,029
% Ch	3.0%	3.4%	3.9%	5.4%	3.6%	3.9%	4.1%	4.0%	4.3%	3.6%
HOUSING STARTS										
Idaho	9,359	9,221	8,853	10,113	10,324	11,054	10,355	9,942	9,806	9,899
% Ch	-26.7%	-1.5%	-4.0%	14.2%	2.1%	7.1%	-6.3%	-4.0%	-1.4%	0.9%
U.S. (Millions)	1,361	1,469	1,475	1,621	1,676	1,599	1,536	1,629	1,735	1,767
% Ch	-5.9%	7.9%	0.4%	9.9%	3.4%	-4.6%	-3.9%	6.1%	6.5%	1.8%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	477.4	492.6	508.7	521.5	539.1	558.6	571.3	584.8	599.1	612.5
% Ch	3.5%	3.2%	3.3%	2.5%	3.4%	3.6%	2.3%	2.4%	2.4%	2.2%
U.S. (Millions)	117.2	119.6	122.7	125.8	128.8	131.5	132.9	134.6	137.2	139.5
% Ch	2.7%	2.1%	2.6%	2.6%	2.3%	2.1%	1.1%	1.2%	2.0%	1.7%
SELECTED INTEREST RATES										
Federal Funds	5.8%	5.3%	5.5%	5.4%	5.0%	6.2%	6.3%	5.9%	5.8%	5.8%
Bank Prime	8.8%	8.3%	8.4%	8.4%	8.0%	9.2%	9.3%	8.9%	8.8%	8.8%
Existing Home Mortgage	7.8%	7.7%	7.7%	7.1%	7.3%	8.0%	7.1%	6.6%	6.5%	6.5%
INFLATION										
GDP Price Deflator	2.2%	1.9%	1.9%	1.3%	1.5%	2.2%	1.8%	1.6%	1.9%	2.3%
Personal Cons Deflator	2.3%	2.1%	1.9%	1.1%	1.8%	2.4%	1.6%	1.5%	1.9%	2.3%
Consumer Price Index	2.8%	2.9%	2.3%	1.6%	2.2%	3.4%	2.2%	1.7%	1.9%	2.4%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the THIRD Quarter of 2000

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2001

	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	9,753	9,946	10,063	10,228	10,355	10,486	10,615	10,751	10,927	11,088	11,269	11,456
% Ch	8.3%	8.2%	4.8%	6.7%	5.0%	5.2%	5.0%	5.2%	6.7%	6.0%	6.7%	6.8%
1996 Chain-Weighted	9,192	9,319	9,382	9,479	9,558	9,634	9,715	9,803	9,921	10,030	10,155	10,280
% Ch	4.8%	5.6%	2.7%	4.2%	3.4%	3.2%	3.4%	3.6%	4.9%	4.5%	5.1%	5.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	30,149	30,530	31,022	31,366	32,018	32,487	32,930	33,396	33,926	34,435	34,934	35,456
% Ch	10.8%	5.2%	6.6%	4.5%	8.6%	6.0%	5.6%	5.8%	6.5%	6.1%	5.9%	6.1%
Idaho Nonfarm (Millions)	29,335	29,684	29,988	30,409	30,973	31,432	31,861	32,312	32,850	33,361	33,873	34,403
% Ch	14.0%	4.8%	4.2%	5.7%	7.6%	6.1%	5.6%	5.8%	6.8%	6.4%	6.3%	6.4%
U.S. (Billions)	8,106	8,242	8,354	8,458	8,606	8,718	8,820	8,927	9,063	9,192	9,322	9,461
% Ch	6.9%	6.9%	5.5%	5.1%	7.2%	5.3%	4.7%	4.9%	6.3%	5.8%	5.8%	6.1%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	28,287	28,498	28,803	28,978	29,487	29,807	30,119	30,443	30,808	31,150	31,474	31,802
% Ch	7.0%	3.0%	4.3%	2.5%	7.2%	4.4%	4.3%	4.4%	4.9%	4.5%	4.2%	4.2%
Idaho Nonfarm (Millions)	27,524	27,709	27,843	28,093	28,524	28,839	29,141	29,455	29,831	30,179	30,517	30,858
% Ch	10.1%	2.7%	1.9%	3.7%	6.3%	4.5%	4.3%	4.4%	5.2%	4.8%	4.6%	4.5%
U.S. (Billions)	7,606	7,694	7,758	7,814	7,926	7,999	8,067	8,138	8,231	8,315	8,399	8,486
% Ch	3.3%	4.7%	3.3%	2.9%	5.8%	3.8%	3.4%	3.5%	4.6%	4.2%	4.1%	4.2%
HOUSING STARTS												
Idaho	11,443	11,687	10,704	10,382	10,417	10,406	10,355	10,242	10,087	9,966	9,887	9,829
% Ch	49.2%	8.8%	-29.6%	-11.5%	1.4%	-0.4%	-1.9%	-4.3%	-5.9%	-4.7%	-3.1%	-2.3%
U.S. (Millions)	1.732	1.605	1.527	1.532	1.516	1.522	1.539	1.566	1.587	1.612	1.644	1.673
% Ch	10.5%	-26.3%	-17.9%	1.2%	-4.0%	1.6%	4.5%	7.1%	5.5%	6.6%	8.0%	7.5%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	551.7	559.7	560.2	562.8	566.2	569.8	573.0	576.3	579.6	582.9	586.5	590.1
% Ch	4.3%	5.9%	0.4%	1.8%	2.4%	2.6%	2.3%	2.3%	2.3%	2.3%	2.5%	2.4%
U.S. (Millions)	130.6	131.6	131.6	132.1	132.4	132.8	133.1	133.3	133.7	134.2	134.8	135.4
% Ch	2.6%	2.9%	0.2%	1.5%	1.0%	1.1%	0.8%	0.8%	1.3%	1.4%	1.8%	1.9%
SELECTED INTEREST RATES												
Federal Funds	5.7%	6.3%	6.5%	6.5%	6.5%	6.5%	6.3%	6.0%	6.0%	5.9%	5.8%	5.8%
Bank Prime	8.7%	9.2%	9.5%	9.5%	9.5%	9.5%	9.3%	9.0%	9.0%	8.9%	8.8%	8.8%
Existing Home Mortgage	8.0%	8.2%	8.1%	7.6%	7.3%	7.2%	7.0%	6.8%	6.7%	6.6%	6.5%	6.5%
INFLATION												
GDP Price Deflator	3.3%	2.4%	2.0%	2.1%	1.6%	1.9%	1.6%	1.5%	1.7%	1.5%	1.6%	1.7%
Personal Cons Deflator	3.5%	2.1%	2.2%	2.0%	1.3%	1.5%	1.3%	1.3%	1.5%	1.5%	1.6%	1.8%
Consumer Price Index	4.3%	3.7%	3.1%	2.7%	1.8%	1.9%	1.6%	1.6%	1.7%	1.6%	1.7%	1.8%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the THIRD Quarter of 2000

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2000 to the Fourth Quarter of 2004

The U.S. economy is expected to slow this year, after posting an impressive gain in 2000. This outlook was stronger than had been expected last January. In the previous forecast, real GDP was projected to rise a healthy 3.4%. It is currently predicted that real GDP will grow a robust 5.3% in 2000, well above all but the most optimistic estimates of its potential. Interestingly, the previous forecast predicted the economy would slow during the first half of 2000 before rebounding in its second half. History has proven the opposite to be true. Real GDP surged during the first half of last year, but has slowed noticeably in recent months. For example, real GDP grew at a 4.8% annual pace in the first quarter of this year, and by less than half that rate (2.2%) in the third quarter. Thus, instead of strengthening, the economy is weakening during the second half of the year.

After years of clear skies, the current forecast calls for a cloudier outlook. DRI has identified four factors that could complicate the economy's journey over the short term. The first factor is high energy costs. Oil prices have nearly tripled from their early-1999 level. In the event of a severe winter or supply disruption, prices could go even higher. This could have significant repercussions. All three of the last recessions were due to troubles in the Middle East and rising oil prices. In addition, natural gas prices are also jumping. Nevertheless, a case for guarded optimism can be made. First, the inflation-adjusted price of oil is not dangerously high. Second, the U.S. economy is less dependent on oil than it used to be. Third, higher prices should boost exploration, which will eventually lead to increased energy supplies.

Despite the stock market's recent dive, it still remains overvalued and could be subject to further correction. The price/earnings ratio for the U.S. stock market stands near 23. Based on current earning estimates, the forward price/earnings ratio should be about 18, suggesting the market is still overvalued. Not surprisingly, all of this excess is concentrated in the high-tech sector. Its price to equity ratio was recently estimated at 34, far higher than any other major sector in the market. The good news is that except for technology, the rest of the market seems fairly valued.

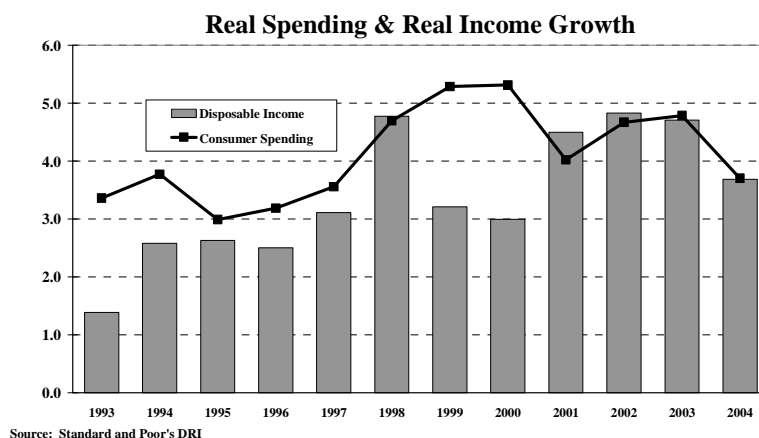
The impact of the falling stock market on consumption is not a trivial question. Consumer spending has played an important role in the current expansion, and it has benefited from swelling finance portfolios. Over the last few years, American households have seen their ratio of assets to income rise above six, which is well above the more typical four to five. This was interpreted as the stock market doing the savings for households. This redirected funds to spending, causing the personal saving rate to plunge. The wealth effect also contributed to spending. However, it still is not clear how falling asset values will impact consumer spending. It is likely that this will induce more thrift on the part of consumers, but the actual degree of restraint remains to be seen.

While everyone watched in awe at the shrinking federal budget deficit, it seems that no one noticed the ballooning U.S. trade deficit. It is estimated that in 2000 the U.S. trade deficit averaged \$426.4 billion, an increase from 1999's \$331.5 billion. It should be noted that the United State's largest trade deficit is with Asia, mostly Japan and China. The reason for this country's trade position with Japan is clear. Exports to Japan have been limited by that country's poor economic health, while imports from Japan have risen as it tries to export its way back to prosperity. The United State's trade deficit with China is actually larger than its deficit with Japan. In the short run, these deficits do not present a problem. But in the long run, they will become increasingly hard to finance.

The current forecast assumes the economy will successfully clear these hurdles. That is, the economy should slow, but it will not stall or retreat over the forecast period.

SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: It appears the high-flying consumer sector is poised to return to earth. Boosted by growing confidence, real consumer spending surged at seemingly unsustainable levels during most of the 1990s. Generally, it would be expected that in the long run real consumer spending would expand no faster than real disposable income. However, in the eight-year period containing the years 1993 to 2000, real consumer spending exceeded real disposable income growth in all but one year. Growth in the initial years reflected



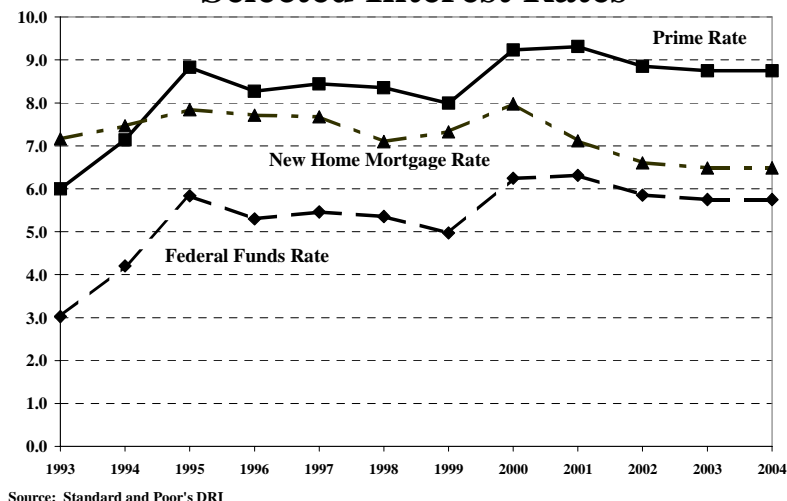
the usual recovery from an economic slowdown. During the 1990-91 recession, real spending contracted as consumers put off making large purchases until they were confident the economy was once again expanding. Spending on these deferred purchases accounted for a large portion of the increase in consumer expenditures. However, spending did not taper off once this pent-up demand was satisfied. The tightest job market in a generation, a strong stock market, and low inflation fueled consumer confidence levels that kept consumers spending above their means. Consumers increasingly turned to debt and savings in order to keep spending faster than income was growing. From 1992 to 2000, outstanding consumer credit (not including mortgage or lease payments) increased an average of 8.5% per year, nearly doubling from \$782.2 billion to \$1.5 trillion. Looked at another way, the ratio of outstanding credit to disposable income rose from 16.5% in 1992 to 21.4% in 2000. American households have also used savings to finance their collective spending spree. Specifically, the U.S. personal savings rate dropped from nearly 9.0% in 1992 to virtually zero in 2000. In fact, in the summer of 2000, the personal savings rate turned negative. In all fairness, the savings rate slide is not solely caused by spendthrift consumers. To the chagrin of financial planners, Americans are not regular savers. Instead, Americans need a reason to set aside money. They save for a college education for their children or a down payment for a house. Once the target is met, saving stops. Another reason for the dismal savings is that Americans are richer. Over the last few years, the soaring stock market has raised wealth to over six times income. This is well in excess of the 4-5 times wealth-to-income ratio that held from the 1960s through the first half of the 1990s. Higher wealth also helps consumption because it is estimated that for every additional \$100 wealth, \$2.50 is spent. Unfortunately, the years of 20%-plus stock market gains appear to be behind us, and this, compounded with already high debt loads and a loosening job market, should cause consumer confidence to drop and real consumer spending to slow. Already, weaknesses are starting to appear. For example, consumer confidence fell for three consecutive months in late 2000. Credit levels have risen more slowly in recent months, as consumers have resisted purchasing big-ticket items. Automobile purchases have been particularly hard hit despite heavy discounting. As other factors play less of a role in propping up spending, real disposable income growth should once again set its upper limit. This being the case, it is important to note real disposable income should advance 3.0% in 2000, 4.5% in 2001, 4.8% in 2002, 4.7% in 2003, and 3.7% in 2004. Real consumer spending is expected to rise 5.3% in 2000, 4.0% in 2001, 4.7% in 2002, 4.8% in 2003, and 3.7% in 2004.

Financial: The Federal Reserve is done tightening for this business cycle. The last time the nation's central bank raised its federal funds rate target was in May 2000. The third quarter 2000 economic slowing suggests that the monetary brakes are working. The timing is right on schedule; the first rate hike was in June 1999, and the cooling down commenced a year later. The next Federal Reserve move is likely to be downward, but not until later this year. The inflation wary Federal Reserve would like to

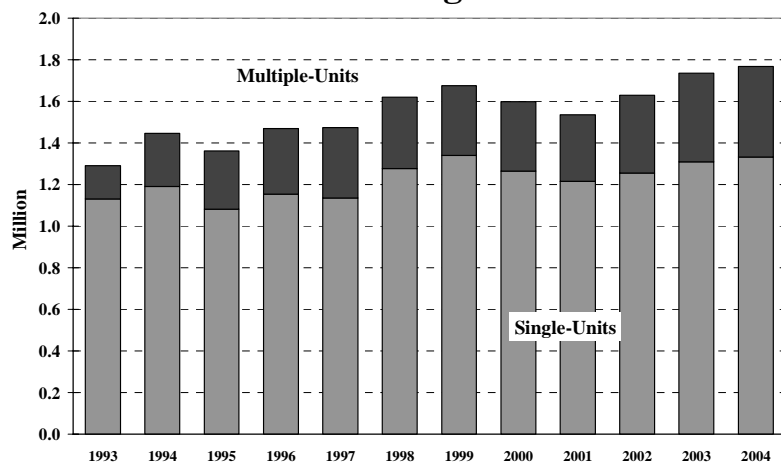
keep interest rates stable until it is convinced that the need to tighten is over, and there is good reason to loosen. The central bank may also want to wait until President Bush's economic plans are clearer, since fiscal stimulus may require higher interest rates. It should be noted that low inflation has been one of the Federal Reserve's strongest allies recently. Real interest rates are the highest they have been since 1989, not because nominal interest rates are high, but because inflation has been so low. It is also worth mentioning that the Federal Reserve remains zealous in its fight against inflation. If core inflation begins

to take off, the Federal Reserve will likely slam on the monetary brakes. In other financial news, it appears that the stock market remains overvalued, but not by as much as it was at the beginning of 2000. Most of this overvaluation can be traced to technology stocks. For example, the price/earning ratio for technology companies was around 36 late last year. In comparison, the price/earning ratio for non-technology stocks was under 20, which seemed to be in line with fundamentals. The current outlook calls for the stock market to advance by less than 10% annually over the next five years.

Selected Interest Rates



U.S. Housing Starts



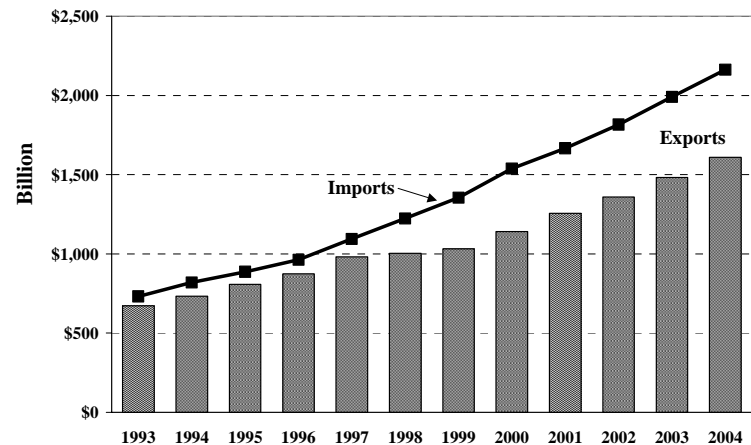
Housing: A review of several housing industry indicators fails to present a clear picture for the future. This represents a change from the recent past when key factors pointed toward sustained, strong growth. This is not to say the outlook has weakened, it is just harder to determine. For example, a recent Fannie Mae report shows a 20-percentage-point decline in the number of persons considering it a good time to buy a home compared to last year. Other evidence supports these findings. The University of Michigan survey of consumer sentiment recorded a five-percentage-point decline in the number of respondents with favorable home-

buying attitudes during October 2000 and an eight-percentage-point increase in the number of households that thought home prices were high enough to delay purchases. This should raise some warning flags because housing is usually one of the first victims in an economic slowdown. On the other hand, not all the news is bad. In the Fannie Mae survey, nearly one in four respondents said they still plan to buy homes in the next three years. Perhaps these households have concerns about the overall economy, but feel comfortable with their own financial situations. Perhaps falling interest rates are too tempting to resist. The interest rate on an average 30-year mortgage peaked at 8.6% in May 2000, but dropped below 8.0% this fall. Indeed, the housing industry seemed healthy last fall. In September 2000, new home sales grew at a 9.2% annual rate and existing home sales remained strong. The current forecast calls for a finely tuned slowdown in the housing industry. This year, home sales should drift into the 5.8-6.0 million-unit range. Housing starts are expected to slip from 1.6 million

units in 2000 to 1.5 million units in 2001. However, this industry should recover quickly. Specifically, U.S. housing starts should climb from 1.5 million units in 2001, to 1.6 million units in 2002, to 1.7 million units in 2003, and to 1.8 million units in 2004.

International: In the late 1990s the so-called twin deficits, trade and federal budget, hit a fork in the road and went their separate ways. Both expanded relentlessly since the 1980s. However, thanks in large part to fast rising federal revenues caused by the booming national economy, the unified federal budget deficit began shrinking in federal fiscal year 1993, and it has been in surplus since fiscal year 1998. On the other hand, the record-long U.S. economic expansion has contributed to a deepening of the nation's trade deficit. Since achieving a rare surplus in 1991, the U.S. current account deficit has swelled to \$426.4 billion in 2000. The current forecast calls for this deficit to grow even larger over the next few years, reaching nearly \$600 billion in 2004. This outlook reflects the U.S. continued economic strength compared to some of the world's larger economies. For example, the U.S. real GDP growth is anticipated to average 4.3% per year over the 2002-2004 period. This will benefit our NAFTA partners. Canada, which has grown slightly slower than the U.S., is expected to continue this trend into the near future, with its real GDP advancing about 3.7% annually. Mexico's economy has grown faster than the U.S. economy, and should continue to do so through 2004. Mexico's economy is showing good health. It is benefiting from the strong demand from the U.S. At the same time, inflation continues to decline and real wages have climbed. The forecast for Japan is not as rosy. Although, the world's second largest economy has shown intermittent signs of life, a sustained recovery has remained elusive. Federal spending has proven to be a short-lived stimulant, but a longer term relief from this country's economic doldrums will only come when it gets its economic house in order. Huge amounts of capital remain locked in unproductive enterprises. Not all the news from the Pacific region is bad. Indeed, except for Japan, most of the economies are recovering nicely from the Asian economic crisis. Middle-income Asian nation economies rose 5.8% in 1999 and 6.9% in 2000. They are expected to average 6.3% real growth from 2002 to 2004. Unfortunately, this growth could be threatened by government meddling. For example, the South Korean government has strong-armed banks into keeping insolvent companies afloat in order to stem rising unemployment. This policy will lock up valuable capital in nonproductive enterprises. The economic forecast for the large western European economies—France, Germany, Italy, and the United Kingdom—calls for growth of 2.5%. A major concern is to what extent rising oil prices will sabotage economic growth. The impact varies between the industrialized and non-industrialized countries. It is estimated that oil prices in the \$30-\$35/barrel range will subtract 0.25-0.50 percentage points from GDP growth in the industrialized countries. It exacts a higher toll on developing countries because they are more dependent on oil. For example, it is estimated that a \$5/barrel increase in the price of oil will reduce GDP growth in Bulgaria, South Korea, and Hungary between 1-2 percentage points.

Real U.S. Imports and Exports



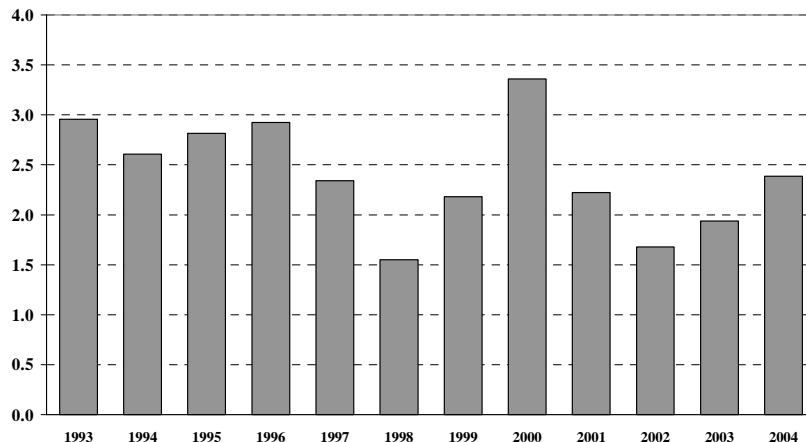
Source: Standard & Poor's DRI

Inflation: Recent evidence suggests that inflationary pressures are receding, which implies the threat of higher inflation is behind us. Two areas that were particularly worrisome, labor costs and import prices, appear to be cooling. Labor costs are a major determinant of core inflation. Given the tightness of the labor market, there have been concerns that these costs could spiral upwards, dragging along the core inflation rate for the ride. However, current data indicates that the employment situation may be

easing and employment costs remain relatively well behaved. The U.S. Department of Labor reported that total nonfarm employment rose by just 94,000 from October 2000 to November 2000. And though the civilian unemployment rate held at 4.0%, both the number of private hours worked and overtime hours worked fell over this period. Other data shows that in the fall of 2000, both hourly wages and the employment cost index were growing at a 4.0% annual rate. Fortunately, productivity growth has been able to offset these gains,

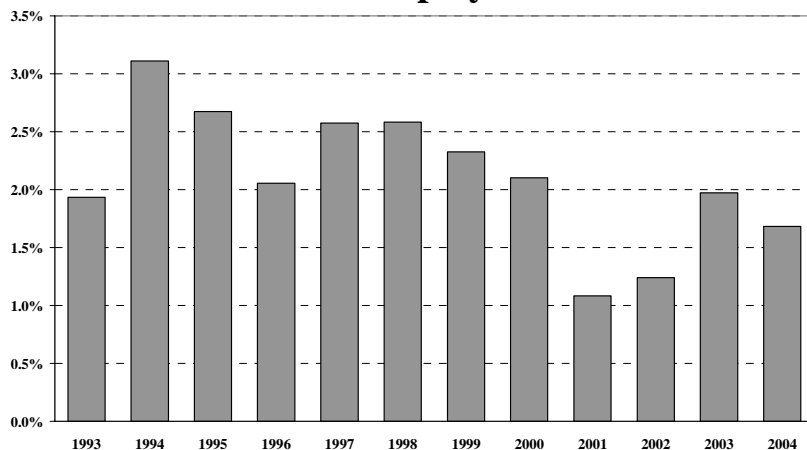
and help keep unit labor costs manageable. The acceleration in import prices in early 2000 was a major concern. This is because low import prices have kept domestic producers from raising their prices in order to remain competitive. If import prices continued to rise, then the U.S. would lose an important check against higher domestic inflation. This does not seem to be the case. In October 2000, import prices declined, as oil prices retreated. But looking past energy prices, import prices actually fell in September and were unchanged in October. On a year-over-year basis, non-petroleum import prices were up just 1% in October 2000. Admittedly, oil prices remain stubbornly high. However, they remain relatively stable. In spite of this, energy price inflation will be a major burden for households and businesses this year. Even before the first major winter storm hit, the public has been put on notice that natural gas and heating oil prices could explode. It is estimated that the price of natural gas rose at a 27.9% annual rate in the second quarter of last year, followed by a 50.1% increase in the third quarter, and an 18.8% rise in the last quarter. The price for fuel oil and coal jumped by a whopping 23.5% annual rate in the second quarter of 2000, but has eased slightly since then. It is believed the earliest relief will come from these runaway increases is in the spring of 2001.

Consumer Price Inflation



Source: Standard and Poor's DRI

U.S. Nonfarm Employment Growth



Source: Standard and Poor's DRI

Employment: The tightest labor market in a generation is beginning to show signs of loosening up. Since April 2000, initial claims for unemployment insurance have been creeping up. Another sign that the labor market is starting to slacken is the duration of unemployment has remained fairly stable. One would expect the average length of time an employee would be out of work would decrease as the supply of excess labor disappeared. Although the average duration is still falling, the median duration held close to six weeks in 2000. In addition, the

proportion of workers unemployed five weeks or less was stable at 45%, after rising steadily for 3 years. Also, the share of unemployed who lost rather than left jobs has begun to rise. The average workweek has slipped below the 34.5-hour average of 1999. Finally, the U.S. unemployment rate has budged from 3.9% in October 2000 to 4.0% in November 2000. Despite, the factors described above, it is important to remember that the labor market remains tight. Even at 4.0%, it is still 1 to 1 1/2

percentage points below most estimates of full employment. Naturally, such a tight labor market leads to worries about wage-push inflation. Wage-push inflation occurs when employers must bid up wages in order to attract relatively scarce labor. Eventually, these higher wages put upward pressures on consumer prices. So far, this has not been a problem. Although the 3.8% year-over-year jump in average hourly earnings during October 2000 was the largest in nearly two years, productivity increases were sufficiently large to cover most of this increase. Nonfarm employment growth is projected to slow over the next two years, then post a slight rally. Over the forecast period, the U.S. civilian unemployment rate is expected to be 4.0% in 2000, 4.4% in 2001, 4.6% in 2002, 4.2% in 2003, and 4.0% in 2004.

IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2000 to the Fourth Quarter of 2004

The Gem State's economy is expected to shift into a lower gear over the forecast horizon. Last year, Idaho's economy displayed surprising strength by outperforming the forecast released in January 2000. At that time, it was projected that Idaho nonfarm employment would advance 2.1% in 2000, a slight drop from the previous year's estimated 2.7% pace. However, no decline took place. In fact, current data show that nonfarm employment growth actually accelerated slightly, from a revised 3.4% in 1999 to 3.6% in 2000. Part of this increase reflects corrections to original data that underestimated historical growth. In addition, several sectors turned in stronger-than-anticipated performances. The goods-producing sector was boosted by a 6.1% increase in electrical and nonelectrical machinery employment and 4.7% rise in the number of construction jobs. The trade sector's employment advanced 3.3% in 2000, compared to the 2.4% growth predicted last year. Services employment was up a whopping 6.2%.

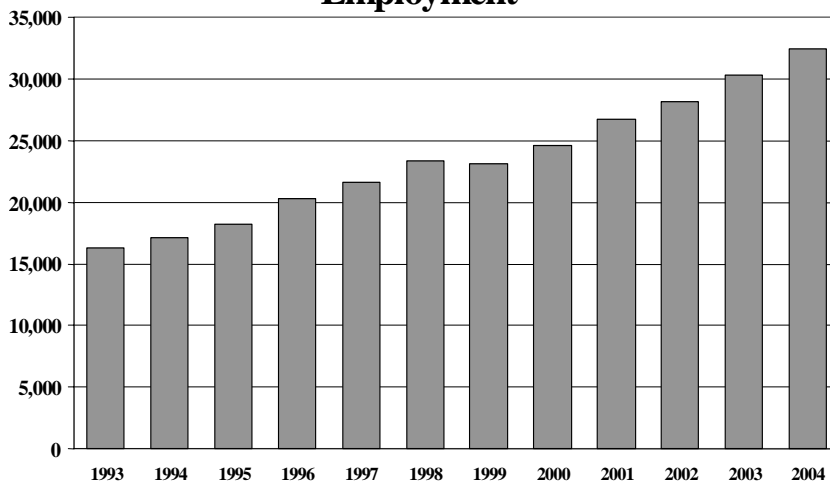
The combination of faster employment and wage growth caused Idaho personal income to rise more rapidly than expected in 2000. The average wage advanced 5.6% last year, which was well above the prediction of 4.2%. As a result, the wages and salaries component of Idaho personal income grew a healthy 9.1% last year. This helped overall Idaho personal income increase 7.6%, which was 2.0 percentage points faster than the 5.6% projected last year. However, the difference between the current estimate for Idaho real personal income versus last year's estimate is smaller because inflation was higher in 2000 than had been originally estimated. The most widely recognized measure of inflation rose approximately 3.4% in 2000, which was more than the 2.3% pace forecasted earlier. Idaho real personal income rose 5.1% in 2000, compared to the original forecast of 3.8%, a difference of 1.3 percentage points.

As was mentioned above, Idaho's economic performance is expected to slow from last year's showing. Idaho nonfarm employment is forecast to rise 2.3% this year, 2.4% next year, 2.4% in 2003, and 2.2% in 2004. However, this is still faster than national employment growth, which is expected to increase 1.1% in 2001, 1.2% in 2002, 2.0% in 2003, and 1.7% in 2004. One of the reasons Idaho outperforms the nation is because its manufacturing sector is expected to enjoy robust health while the nation's manufacturing sector sheds jobs. Idaho nominal personal income also advances faster than its national counterpart. However, the difference between these two measures may seem smaller than anticipated given the differences in job growth. This is because the national average annual wage is projected to rise faster than the Idaho average wage in every year of the forecast.

It should be noted that this Idaho economic forecast assumes that the Federal Reserve successfully slows the U.S. economy without plunging it into a recession. While there is a wealth of evidence to suggest that this is the most likely outcome, this result is by no means a given. In order to accomplish this, the nation's central bank would have pull off a rare second-straight soft landing. This maneuver is difficult enough even under the best circumstances. However, current conditions have complicated this policy. A policy misstep or unfortunate combination of factors could result in the economy performing below par. These results would be felt at the local level. Two alternate scenarios of the national economy's performance and their impacts on Idaho have been included.

SELECTED IDAHO ECONOMIC INDICATORS

Idaho Electrical & Nonelectrical Employment



Electrical and Nonelectrical Machinery:

The Gem State's electrical and nonelectrical machinery sector should add more jobs over the forecast period than all of the other manufacturing sectors combined. Specifically, of the 10,455 increase in manufacturing jobs from 2000 to 2004, nearly 8,000 will come from the electrical and nonelectrical machinery sector. This industry got a good jump toward this employment target by growing an estimated 1,400 (6.1%) in 2000.

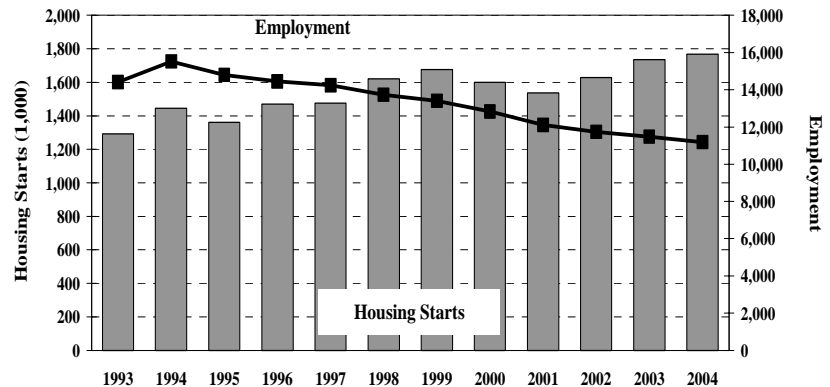
This was a welcome reversal from the previous year where employment dipped. This slight (0.7%) decline was the sector's first drop since 1985. Last year's recovery should be just the first installment in a string of strong years. As in the past, the state's high-tech companies will play a large role in fueling Idaho's growth. These companies stand to benefit from the continued demand for their products. For example, production of electronic components jumped nearly 75% in 2000. While it is not expected to match this level of growth over the forecast period, it should continue to post strong gains over the forecast period. This reflects the broadening applications base for electronic components. Once these products were found in only sophisticated and expensive commercial devices. Now, they are essential parts of everyday household appliances. Micron Technology, a world-class manufacturer of computer memory products, should benefit from the strong demand for its products. Micron competes in the world market where it is essentially a price taker. In order for it to be profitable, the company must continually reduce its production costs. This is where the company has excelled. Micron is recognized as the world's lowest cost manufacturer of memory products. This helped the company avoid layoffs during the recent prolonged downturn in memory prices. Its broader product and customer bases also helped it weather the downturn. In order to remain competitive, the company must also continue to grow. It started a \$200 million expansion at its Boise campus that will add 500 more jobs, most of which will be in research and development. The future is bright for other Idaho high-tech companies as well. Less than a year after opening the doors of its new Treasure Valley plant, Jabil Circuit, Inc. has announced plans to double its manufacturing space. Company officials explain that the expansion is in response to anticipated industry growth. This expansion will add up to 700 new jobs over the next few years. This would boost employment to about three times its initial level. Jabil began its Idaho operations just two years ago when it acquired the assets (and employees) of Hewlett-Packard's printer formatter manufacturing operations. The sale of these assets reflected Hewlett-Packard's strategy to refocus the Boise site's mission towards research and development and away from manufacturing. As a result of that move, Hewlett-Packard's employment in Idaho has remained near the 4,000 level in recent years. In other high-tech news, none of the 1,200 employees of American Microsystems Incorporated of Pocatello should be affected by the 80 percent buyout of the company by two global investment groups. The majority share of the company was previously owned by GA-TEK, which is a wholly owned subsidiary of Japan Energy Corporation. A few Zilog workers will not be as fortunate. Citing adverse market conditions, about a dozen employees at the company's Nampa plant will lose their jobs.

Idaho electrical and nonelectrical manufacturing employment is expected to rise 9.0% in 2001, 5.4% in 2002, 7.5% in 2003, and 7.2% in 2004.

Lumber and Wood Products: As predicted, employment in the state's lumber and wood products sector fell in 2000. In January 2000, it was projected the number of jobs in this sector would slide by about 500 (3.7%). The most current data available show that the aggregate lumber and wood products payroll actually shrank by 574 (4.3%) jobs. This reduction was the largest annual decline since 1995, when employment decreased 4.7%. Last year's disappointing performance reflects an unfortunate combination of negative factors. First, falling

product prices plagued this industry through most of the year. *Random Lengths* reported that its composite price index for framing lumber dropped from around \$375 per thousand feet in January 2000 to \$283 in November 2000. The composite price for structural panels showed promise by rising to nearly \$350 per thousand feet in March 2000. However, by November 2000 its price had fallen to \$251. These softening prices forced many Idaho mills to curtail their operations. Potlatch Corporation temporarily reduced payrolls by 300 in June 2000. The company also laid off 21 workers at its St. Maries' plywood plant. In July 2000, Regulus Stud Mill's employment fell from 100 to 15 workers. That same month, Louisiana-Pacific shut down its Chilco sawmill and Sandpoint finishing plant, affecting 145 employees. While most of these layoffs were temporary, some were permanent. Potlatch Corporation let go of 140 salaried workers last summer. Crown Pacific closed its 150-employee Coeur d'Alene mill indefinitely in late July 2000. Potlatch shuttered its Jaype Mill near Pierce in August 2000, a move that cost 215 jobs. The Idaho Department of Labor estimates that mill closures or curtailments from May 2000 to September 2000 idled over 1,500 employees. Unfortunately, it appears that low prices may be around a little longer. Part of this outlook reflects the weaker demand caused by the 3.9% drop in national housing starts in 2001. But demand is not the only factor causing lower prices. This industry is awash in supply thanks to excess capacity. One estimate shows the industry is already geared up to produce 20-25% more lumber than is being consumed in North America and Asia. A cause for hope is that Asia, except for Japan, should grow faster than the U.S. economy over the forecast period. Rising fortunes in these countries could help absorb excess supplies. Even when demand picks up, this sector faces other challenges. Most notably, it will be haunted by the uncertainties concerning timber supplies from federal forests. In light of these factors, it does not appear that this sector's job picture will improve in the near future. In fact, Idaho lumber and wood products employment is expected to decline 5.6% in 2001, 3.0% in 2002, 2.2% in 2003, and 2.5% in 2004.

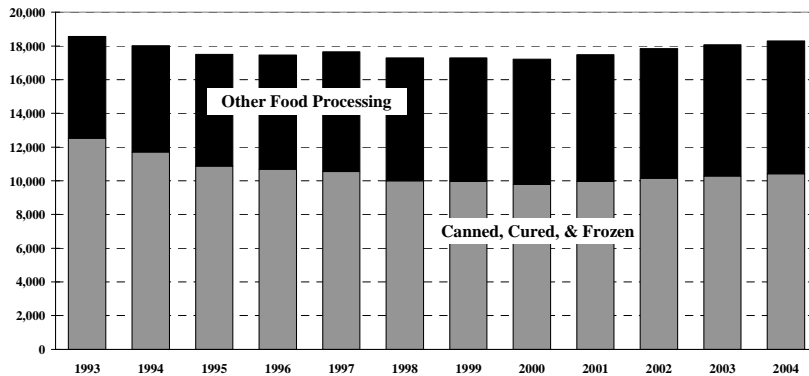
Idaho Lumber & Wood Products Employment and U.S. Housing Starts



Sources: Standard and Poor's DRI and DEM

Food Processing: Employment in the state's enormous food processing sector shrank by almost 1,300 jobs from 1993 to 1999. While some of this loss was due to business downturns, other factors also played a significant role. For example, J.R. Simplot Company closed one of its two Caldwell, Idaho

Idaho Food Processing Employment



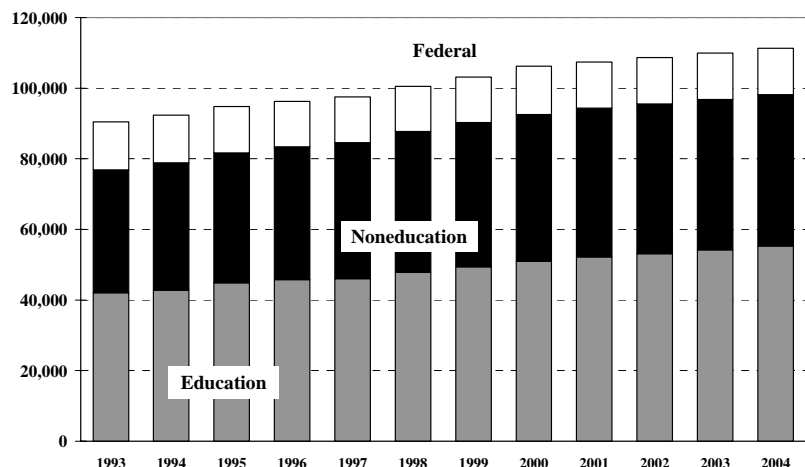
processing plants during this period. Between 300 and 400 jobs were lost as a result of this closure. Another Gem State food processing player, Ore-Ida, reduced its headquarters' staff by about 100 after it sold its food service division to Canadian food processing giant McCain Foods, Ltd. Unfortunately, this was not the last reduction by Ore-Ida. Approximately 400 Idaho jobs were lost in 1999 when H.J. Heinz Company consolidated Ore-Ida

Foods Incorporated and Weight Watchers Gourmet Food Company into the new Heinz Frozen Food Company based in Pittsburgh. Not all the impacts of food processing facilities sales were negative. For example, Suprema Specialties of New Jersey purchased the Snake River Cheese Plant near Blackfoot. Beatrice Cheese had been operating the plant, but stopped production late last year. Suprema will take over operation on January 1, 2001. The plant employs 45 workers and processes milk from 450 dairies. Idaho's dairy industry has thrived in recent years. Idaho is the nation's sixth largest producer of milk. The state's dairy herd increased from 179,000 milk cows in 1990 to 318,000 cows in 1999. The expansion of the herd and higher output per cow caused milk production to climb from about 3 billion pounds to nearly 6.5 billion pounds over this period. The value of the milk produced rose from \$360 million in 1990 to about \$840 million in 1999. Most of the larger dairies are located in the Magic Valley. The state's milk processing industry has expanded along with its dairy herd. From 1995 to 1999, the whole milk equivalent used in Idaho manufactured products jumped over 40.0%, from 3.8 billion pounds to 5.3 billion pounds. Most of this was used to produce American cheese. Glanbia, Inc. is the largest dairy processor in Idaho. It employs over 400 people and has over \$400 million in sales per year. Glanbia, Inc. recently completed a \$33 million expansion to its Gooding cheese processing plant that can process six million pounds of milk per day. Land O' Lakes also completed a huge expansion to its feed-processing plant in Gooding. The Salmon Valley Cheese Factory plans to produce 10 million pounds of cheese annually, and production could expand further in the near future. Idaho food processing employment should advance 1.5% in 2001, 2.1% in 2002, 1.3% in 2003, and 1.2% in 2004.

Federal, State, and Local Governments:

Idaho's state and local government employment growth should slow as Idaho's population growth cools. This should not come as a surprise, given the tight link between government employment and population. This relationship can be seen by reviewing past Idaho employment and population data. The Gem State's population soared from 1,006,734 in 1990 to 1,251,700 in 1999, a 24.3% increase. This jump in population reflected the influx of new citizens into Idaho. The state,

Idaho Government Employment

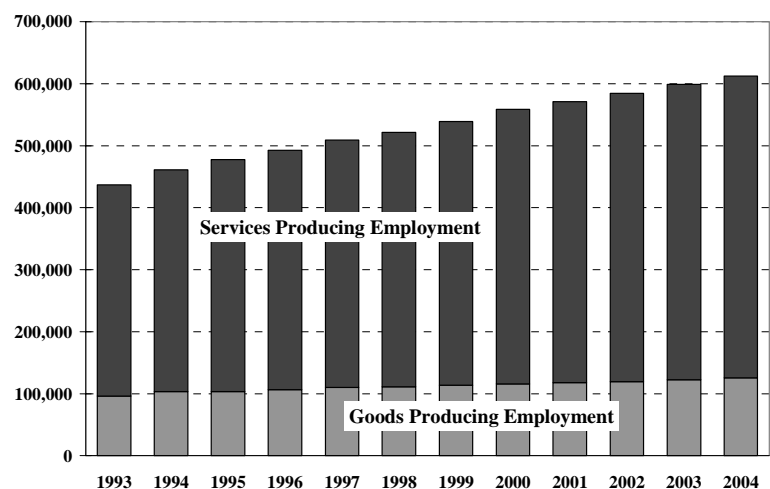


with its robust economy, proved to be an enticing oasis of opportunity when the rest of the nation was mired in the 1990-91 recession. Idaho proved especially attractive to Californians. The Golden State suffered its worst slowdown since the Great Depression in the early 1990s. For example, California lost 2.5% of its nonfarm jobs during the 1990 to 1992 period. Idaho nonfarm employment rose by 31,300 (8.1%) during this same time. A storm surge of migration hit the Gem State in the first half of the 1990s. In each of the three years from 1992 to 1994, net migration was over 20,000. This helped the state's population grow by about 3.0% in each of those years, nearly three times faster than the nation's population. The demands of the expanding population strained government resources. In response to these pressures, Idaho state and local government employment advanced over 3.5% annually during the first half of the decade. As the U.S. economy expanded in the second half of the 1990s, the economic gap between Idaho and other states narrowed. This caused net migration into Idaho to drop off. By the end of the decade, net migration per year was about half its mid-1990s peak. This has caused Idaho state and local government employment growth to slow markedly. While cooling population growth has had an impact, other factors have also come into play. For example, an Idaho law that caps local government budgets has also limited government employment gains. In addition, last year's growth rate will also be impacted by a series break in the education-related employment data. The Idaho Department of Labor recently detected a data problem that inflated this sector's employment by 2,000 persons. In order to correct this, the Department of Labor reduced employment by 2,000 beginning in January 2000. As a result of this adjustment, the decline from the last quarter of 1999 to the first quarter of 2000 is exaggerated, and the 1999 to 2000 year-to-year growth is underestimated. The trends that shaped the second half of the 1990s are expected to continue into the next few years. Idaho state and local government employment is forecast to increase 1.9% in 2001, 1.3% in 2002, 1.3% in 2003, and 1.3% in 2004. Federal government employment in Idaho is largely driven by budget decisions made in Washington, D.C. The recent round of federal budget belt-tightening has caused the number of federal jobs in Idaho to trend downwards in the 1990s. This is expected to continue in through the next few years. Specifically, the number of federal jobs in the Gem State should be 13,648 in 2000, 13,065 in 2001, 13,150 in 2002, 13,137 in 2003, and 13,146 in 2004. The large drop in 2001 reflects the layoff of temporary U.S. Census workers hired in 2000.

Services-Producing Industries: The services-producing sector is the state's largest employer. It alone accounts for about 80% all nonfarm jobs. It consists of finance, insurance, and real estate; transportation, communications, and public utilities; trade; services; and government. Even when government employment is taken out of the services-producing mix, the remainder still accounts for over 60% of all jobs. Not only is this sector diverse, it is also dynamic. For example, it has benefited recently from the growth of call centers in the state. The call centers are involved with catalog sales, help lines,

telemarketing, customer services, and market research. Call centers also encompass a wide variety of business activities. These include manufacturing, transportation, communications, trade, finance, insurance, business services, and research and development. According to Idaho Department of Labor estimates, call centers employed 10,600 persons in July 2000. One of the most pleasing aspects of this

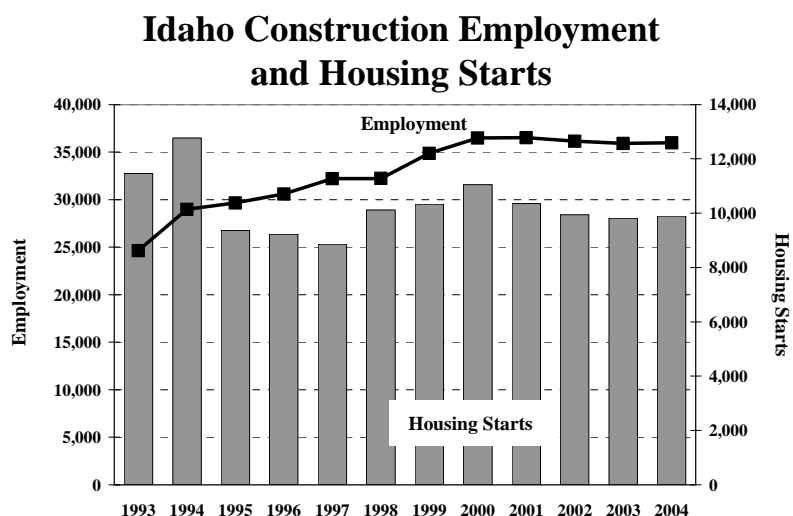
Idaho Nonfarm Employment



growth is how diverse it has been. The GTE order-processing center is in North Idaho, the Carlson Leisure Group call center is in the Treasure Valley, and Convergys Call Center is in Bannock County. Recently, Alaska Air announced plans to open a call center in Boise that will employ 200. Tele-Servicing Innovations will open a call center in Burley that will employ 100 persons. Another source of growth has been business services. Part of its growth reflects contract employees working at manufacturing firms. Although they perform manufacturing tasks, they are employed by employment agencies and are counted as business services employees. Overall, services-producing employment is projected to increase 2.5% in 2001, 2.5% in 2002, 2.4% in 2003, and 2.2% in 2004.

Construction: Idaho's economy will miss the boost provided by the construction sector over most of the state's long expansion. Nonfarm employment in the Gem State has expanded steadily since 1987. Construction employment has increased since 1988. Initially, nonresidential building fueled this sector's growth. However, as the trickle of net migration turned into a flood, residential construction employment surged. In 1988, two years into the state's economic expansion, the number of Idaho housing starts was just 3,334 units. But six years later, in 1996, the number of housing

starts had more than tripled to 12,766 units. From 1988 to 1994, the number of construction jobs in Idaho more than doubled from 14,205 to 28,983. Looked at in another way, Idaho housing starts advanced an incredible 25.1% annually over this period while employed increased a whopping 12.6% per year. The robust housing growth reflected the industry's attempt to catch up to demand. Fortunately, Idaho never developed a serious housing inventory overhang, making the transition from boom to slower times much less painful than usual for this notoriously cyclical industry. For example, housing starts dropped almost 27% from their high in 1994 to 1995. Despite this sharp decline, construction employment, thanks in large part to the strong nonresidential sector, managed to expand 2.2% that year. Since the housing sector's go-go years ended in 1994, Idaho housing starts have averaged between 8,500 and 11,000 units per year. While this is below 1994's peak, it is still well above its early 1980's level. It appears that Idaho construction employment has made a relatively painless transition from its boom. Although housing starts have yet to repeat 1994's record performance, construction employment has expanded in every year since then, albeit at a slower pace than in the recent past. The current projection shows Idaho construction employment will level off at about 36,000 over the forecast period. From 2000 to 2004, Idaho housing starts are expected to slowly decline from 11,054 units to 9,899 units.



ALTERNATIVE FORECASTS

DRI has assigned a 55% probability of occurrence to its November 2000 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP advances 5.3% in 2000, 3.6% in 2001, 4.3% in 2002, 4.8% in 2003, and 3.8% in 2004;
- U.S. nonfarm employment increases 2.1% in 2000, 1.1% in 2001, 1.2% in 2002, and 2.0% in 2003, and 1.7% in 2004;
- the U.S. civilian unemployment rate remains below the full employment rate of 5.5%;
- consumer confidence declines in 2001 and 2002, but recovers in 2003;
- consumer inflation peaks at 3.4% in 2000, then bounces around 2.0% in the remaining years of the forecast;
- the federal budget surplus swells to nearly \$290 billion in 2004;
- and the U.S. merchandise trade deficit continues to widen.

While the baseline scenario represents the most likely path for the national economy over the next few years, uncertainties surrounding several key variables mean other outcomes are also possible. To account for this, DRI prepares alternative forecasts based on different assumptions regarding these key variables. Two of these alternative forecasts, along with their likely impacts on the Idaho economy, are discussed below.

HIGH OIL/HIGH DOLLAR SCENARIO

DRI's *High Oil/High Dollar Scenario* has been assigned a 20% probability of occurrence. This alternative looks into the consequences of a protracted period of high oil prices and a strong dollar. A look at a couple factors show that while this is not likely, it is possible. OPEC producers are using their current windfall profits to pay off debts and finance unmet social and infrastructure needs, not to increase crude oil production. Non-OPEC producers may hesitate to expand exploration and drilling for fear that oil prices will plunge. Eventually, oil production capacity will increase and prices will fall. In the meantime, the dollar could stay strong, since the U.S. economy will suffer less than most countries from high oil prices. The combination of a strong dollar and high, but steady, oil prices restrains inflation, allowing the Federal Reserve to keep interest rates low.

Ironically, when relief from high oil prices finally comes, it causes the economy to slow. The lower oil prices should be a boon to foreign countries, causing their economies to grow faster. As the difference between U.S. and foreign economic growth narrows, the dollar should weaken relative to foreign currencies. This would cause both domestic and foreign demand to surge. This would cause inflation to accelerate. The Federal Reserve would tighten in order to contain inflation. This policy, along with weaker foreign capital inflows, could trigger a bear market, throwing the wealth effect into reverse. Fortunately, stronger exports keep the U.S. economy from falling into a recession.

In this scenario, Idaho's economic growth is marginally slower than in the baseline. Idaho nonfarm employment advances 2.2% annually from 2001 to 2003. In the baseline, it grows just over 2.3% per year. By 2003, Idaho nonfarm employment is 596,600, which is slightly below the baseline's 599,100. Idaho nominal personal income is also slightly lower in 2003, \$36.6 billion compared to the baseline's \$36.9 billion. This relationship persists even after adjusting for inflation. Idaho real personal income is \$32.5 billion in 2003 in this scenario. In the baseline, it is \$32.7 billion.

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2001

	BASELINE				HIGH OIL/HIGH DOLLAR				PESSIMISTIC			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
GDP (BILLIONS)												
Current \$	9,997	10,552	11,185	11,939	9,996	10,529	11,107	11,783	9,998	10,508	10,879	11,760
% Ch	7.5%	5.5%	6.0%	6.7%	7.5%	5.3%	5.5%	6.1%	7.5%	5.1%	3.5%	8.1%
1996 Chain-Weighted	9,343	9,677	10,097	10,579	9,342	9,656	10,029	10,465	9,343	9,524	9,641	10,318
% Ch	5.3%	3.6%	4.3%	4.8%	5.3%	3.4%	3.9%	4.3%	5.3%	1.9%	1.2%	7.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	30,767	32,708	34,688	36,899	30,767	32,686	34,585	36,621	30,769	32,670	34,006	36,317
% Ch	7.6%	6.3%	6.1%	6.4%	7.6%	6.2%	5.8%	5.9%	7.7%	6.2%	4.1%	6.8%
U.S. (Billions)	8,290	8,768	9,260	9,840	8,290	8,755	9,211	9,729	8,290	8,734	9,003	9,656
% Ch	6.4%	5.8%	5.6%	6.3%	6.4%	5.6%	5.2%	5.6%	6.4%	5.4%	3.1%	7.3%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	28,642	29,964	31,309	32,684	28,642	29,932	31,201	32,475	28,640	29,469	29,846	31,517
% Ch	5.1%	4.6%	4.5%	4.4%	5.1%	4.5%	4.2%	4.1%	5.1%	2.9%	1.3%	5.6%
U.S. (Billions)	7,718	8,033	8,358	8,716	7,718	8,018	8,310	8,627	7,717	7,879	7,901	8,380
% Ch	3.9%	4.1%	4.0%	4.3%	3.9%	3.9%	3.6%	3.8%	3.9%	2.1%	0.3%	6.1%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	558.6	571.3	584.8	599.1	558.6	571.2	583.7	596.6	558.6	568.7	569.5	583.5
% Ch	3.6%	2.3%	2.4%	2.4%	3.6%	2.2%	2.2%	2.2%	3.6%	1.8%	0.1%	2.5%
U.S. (Millions)	131.5	132.9	134.6	137.2	131.5	132.8	134.0	136.1	131.5	132.0	130.5	134.2
% Ch	2.1%	1.1%	1.2%	2.0%	2.1%	1.0%	0.9%	1.6%	2.1%	0.4%	-1.2%	2.8%
GOODS PRODUCING SECTOR												
Idaho (Thousands)	116.1	117.8	119.7	122.8	116.1	117.8	119.5	122.1	116.1	117.5	117.2	121.6
% Ch	2.3%	1.4%	1.6%	2.5%	2.3%	1.4%	1.4%	2.2%	2.3%	1.1%	-0.2%	3.8%
U.S. (Millions)	25.7	25.3	24.9	24.9	25.7	25.3	24.8	24.6	25.7	25.1	23.7	23.7
% Ch	0.7%	-1.4%	-1.5%	-0.1%	0.7%	-1.4%	-1.9%	-0.8%	0.7%	-2.3%	-5.6%	0.3%
SERVICE PRODUCING SECTOR												
Idaho (Thousands)	442.5	453.5	465.0	476.3	442.5	453.3	464.3	474.5	442.5	451.2	452.3	461.9
% Ch	4.0%	2.5%	2.5%	2.4%	4.0%	2.5%	2.4%	2.2%	4.0%	2.0%	0.2%	2.0%
U.S. (Millions)	105.8	107.6	109.6	112.3	105.8	107.4	109.2	111.5	105.8	107.0	106.8	110.4
% Ch	2.4%	1.7%	1.9%	2.5%	2.4%	1.5%	1.6%	2.1%	2.4%	1.1%	-0.2%	3.4%
SELECTED INTEREST RATES												
Federal Funds	6.2%	6.3%	5.9%	5.8%	6.2%	6.2%	5.5%	5.0%	6.2%	6.7%	3.8%	3.6%
Bank Prime	9.2%	9.3%	8.9%	8.8%	9.2%	9.2%	8.5%	8.0%	9.2%	9.7%	6.8%	6.6%
Existing Home Mortgage	8.0%	7.1%	6.6%	6.5%	8.0%	7.1%	6.5%	6.1%	8.0%	7.6%	6.1%	5.4%
INFLATION												
GDP Price Deflator	2.2%	1.8%	1.6%	1.9%	2.2%	1.9%	1.6%	1.7%	2.2%	3.1%	2.3%	1.0%
Personal Cons Deflator	2.4%	1.6%	1.5%	1.9%	2.4%	1.7%	1.5%	1.7%	2.5%	3.2%	2.8%	1.1%
Consumer Price Index	3.4%	2.2%	1.7%	1.9%	3.4%	2.3%	1.7%	1.7%	3.4%	3.9%	2.6%	0.8%

Forecast Begins the THIRD Quarter of 2000

PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has been assigned a 25% probability of occurrence. DRI has nicknamed this scenario *The Perfect Storm*. In this case, several important factors turn south at once, causing an economic tempest. It assumes a severe winter and ongoing violence in the Middle East cause oil prices to surge to \$70 per barrel. But even before oil prices spike, the euro keeps tumbling. As a result, the European Central Bank's credibility is ruined. The stronger dollar takes its toll on exports. In addition, the localized shakeout in the dot-com sector eventually infects the entire stock market, causing it to decline further. Eventually, foreigners, dissatisfied with the returns on their U.S. assets, refuse to pour funds into this country. Consumer prices take off, with inflation headed above 5%.

The Federal Reserve raises its federal funds rate in an attempt to head off inflation, but this policy eventually causes the economy to sink into a recession. The stock market panics because of the rising oil prices, higher interest rates, and a re-emerging Asian recession. The S&P 500 drops 35%. As a result, household wealth erodes, taking consumer confidence down with it. Fortunately, the recession is short lived. Several factors point toward this outcome. First, it is unlikely that oil prices will stay above \$50 per barrel. Demand should fall as the weather turns milder. Higher oil prices will eventually cause oil supplies to increase. The combination of lower demand and increased supply will cause oil prices to retreat. Second, the Federal Reserve is expected to lower interest rates in order to restart the economy, a task made easier thanks to ebbing inflation pressures. The recession starts in 2001:3 and lasts three quarters.

Not surprisingly, the major departures between this scenario and the baseline scenario start in 2001. The recession contributes to the slow growth of Idaho nonfarm employment in both 2001 and 2002. In 2001, Idaho nonfarm employment post anemic growth of just 1.8%, its weakest showing since 1987. Employment growth virtually stalls in 2002, before rallying in 2003. Unfortunately, the faster growth in 2003 does not offset the slower growth in the previous two years. As a result, Idaho nonfarm employment in 2003 is almost 16,000 lower than in the baseline. The reduced employment lowers expectations for Idaho personal income. By 2003, Idaho nominal personal income is about \$0.6 billion lower than in the baseline case, and Idaho real personal income is off by \$1.2 billion in that same year.

Idaho General Fund Revenue

History and Projections

The following pages provide descriptions of the sources of General Fund revenue, historical rate and distribution formula information, historical revenue collection and distribution information, and a brief explanation of the basis of the forecast for each source of revenue that contributes to the General Fund.

Three primary revenue categories (individual income tax, corporate income tax, and sales tax) presently account for almost 94% of General Fund revenue. These sources of revenue are forecast using a combination of econometric methods and judgment. The econometric method is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2000 *Idaho Economic Forecast*. Both are products of the Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts-to-date, and a broad array of contacts with individuals responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, Insurance Premium Tax, is forecast in cooperation with the staff of the Department of Insurance, using simulation models to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUES*
(\$Millions)

SOURCE						
	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995
INDIVIDUAL INCOME TAX	\$398.28	\$432.22	\$459.44	\$508.02	\$559.17	\$596.46
% Change	16.1%	8.5%	6.3%	10.6%	10.1%	6.7%
CORPORATE INCOME TAX	\$72.49	\$60.02	\$57.97	\$70.00	\$87.63	\$131.64
% Change	-0.6%	-17.2%	-3.4%	20.8%	25.2%	50.2%
SALES TAX	\$319.29	\$335.74	\$364.32	\$402.82	\$452.68	\$481.57
% Change	10.6%	5.2%	8.5%	10.6%	12.4%	6.4%
CIGARETTE TAX	\$5.88	\$6.86	\$7.07	\$7.00	\$7.61	\$7.25
TOBACCO TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
BEER TAX	\$1.55	\$1.60	\$1.66	\$1.70	\$1.71	\$1.65
WINE TAX	\$0.77	\$0.75	\$0.75	\$0.75	\$0.81	\$1.14
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES Subtotal	\$13.15	\$14.16	\$14.43	\$14.40	\$15.08	\$14.99
% Change	-6.3%	7.7%	1.9%	-0.2%	4.7%	-0.6%
KILOWATT-HOUR TAX	\$1.68	\$1.78	\$1.61	\$1.45	\$2.09	\$1.69
MINE LICENSE TAX	\$0.25	\$0.47	\$0.59	\$0.11	\$0.47	\$0.29
TREASURER	\$17.55	\$19.39	\$11.81	\$10.54	\$10.61	\$15.00
JUDICIAL BRANCH	\$3.43	\$3.33	\$3.39	\$3.21	\$3.72	\$3.89
DEPT OF INSURANCE	\$25.21	\$28.64	\$31.94	\$28.81	\$33.19	\$34.93
DEPT LAW ENFORCEMENT	\$1.08	\$0.99	\$1.01	\$0.96	\$1.04	\$1.07
SEC OF STATE	\$1.07	\$1.17	\$1.40	\$0.91	\$0.78	\$0.85
UNCLAIMED PROPERTY	\$1.16	\$1.15	\$1.35	\$1.34	\$1.71	\$2.09
ESTATE TAX	n/a	n/a	n/a	n/a	n/a	n/a
OTHER DEPTS & TRANS.	<u>\$2.43</u>	<u>\$2.44</u>	<u>\$2.58</u>	<u>\$0.91</u>	<u>\$4.90</u>	<u>\$3.64</u>
MISC. REVENUE Subtotal	\$53.86	\$59.36	\$55.68	\$48.24	\$58.51	\$63.45
% Change	0.4%	10.2%	-6.2%	-13.4%	21.3%	8.4%
TOTAL GENERAL FUND REVENUE	\$857.07	\$901.50	\$951.84	\$1,043.48	\$1,173.07	\$1,288.11
% Change	10.9%	5.2%	5.6%	9.6%	12.4%	9.8%

*Totals may not add due to rounding.

FY 1996 Sales Tax and Total General Fund Revenue does not include \$40.8 million in property tax relief per HB 156. Sales Tax and Total General Fund growth rates would have been 4.6% and 8.0% respectively

GENERAL FUND REVENUES*
(\$Millions)

SOURCE	FORECAST						
	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002
INDIVIDUAL INCOME TAX	\$650.85	\$704.82	\$776.19	\$841.86	\$960.16	\$1,024.20	\$1,096.60
% Change	9.1%	8.3%	10.1%	8.5%	14.1%	6.7%	7.1%
CORPORATE INCOME TAX	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87	\$170.00	\$135.80
% Change	15.5%	-19.5%	-4.1%	-18.6%	30.8%	36.1%	-20.1%
SALES TAX	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50	\$658.00	\$696.30
% Change	-3.9%	3.0%	4.2%	18.5%	6.6%	4.9%	5.8%
CIGARETTE TAX	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30	\$7.90	\$7.50
TOBACCO TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.10	\$4.30
BEER TAX	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75	\$1.77	\$1.79
WINE TAX	\$1.52	\$1.66	\$1.80	\$1.90	\$1.97	\$1.93	\$1.90
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES Subtotal	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96	\$20.65	\$20.44
% Change	3.9%	1.0%	0.7%	-0.5%	1.2%	29.4%	-1.0%
KILOWATT-HOUR TAX	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77	\$2.30	\$2.30
MINE LICENSE TAX	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)	\$0.40	\$0.40
TREASURER	\$18.45	\$18.24	\$17.93	\$18.69	\$21.56	\$18.40	\$12.80
JUDICIAL BRANCH	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31	\$5.40	\$5.50
DEPT OF INSURANCE	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43	\$48.60	\$50.90
DEPT LAW ENFORCEMENT	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30	\$1.42	\$1.44
SEC OF STATE	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02	\$2.00	\$2.00
UNCLAIMED PROPERTY	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31	\$1.00	\$1.00
ESTATE TAX	n/a	n/a	n/a	n/a	n/a	\$27.00	\$7.30
OTHER DEPTS & TRANS.	<u>\$3.57</u>	<u>\$3.38</u>	<u>\$3.67</u>	<u>\$5.66</u>	<u>\$13.43</u>	<u>\$20.44</u>	<u>\$9.71</u>
MISC. REVENUE Subtotal	\$69.46	\$72.23	\$76.01	\$82.57	\$92.46	\$126.96	\$93.35
% Change	9.5%	4.0%	5.2%	8.6%	12.0%	37.3%	-26.5%
TOTAL GENERAL FUND REVENUE	\$1,350.85	\$1,391.87	\$1,482.14	\$1,624.43	\$1,820.96	\$1,999.81	\$2,042.49
% Change	4.9%	3.0%	6.5%	9.6%	12.1%	9.8%	2.1%

*Totals may not add due to rounding.

INDIVIDUAL INCOME TAX

Description: (Title 63, Chapter 30, *Idaho Code*)

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of taxable income. Current and past individual income tax rate brackets are detailed in the following table.

INDIVIDUAL INCOME TAX RATE HISTORY

Tax Rates on the Portion of Taxable Income ^{(1) (4)}									
Greater Than	\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,500	\$20,000
But Not More Than	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,500	\$20,000	
Tax 1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	4.0%
Years 1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	8.0%
1955 ²	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 ³	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%
2000 ⁴	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.4%	7.7%	8.1%
2001 ⁴	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%

1. Amounts shown are for single and married filing separate returns.

For all other filing status returns double the income amounts at the top of the columns.

2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.

3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

4. Beginning in tax year 2000, the brackets are to be adjusted for inflation using the CPI.

State law pertaining to the Idaho income tax base conforms to most of the provisions enacted in the federal Internal Revenue Code (IRC). Notable exceptions include: a) retention of the state investment tax credit, including its tie-in to the federal definition of eligible property, and b) enactment of a limited capital gains exclusion at the state level that has a different basis than the recently reenacted federal capital gains exclusion. In 1999 the Legislature enacted an additional \$150 standard deduction for joint returns. This was done to reduce the so-called "marriage penalty." In 2000, the legislature increased the additional standard deduction for joint returns to an amount equal to the difference between twice the single standard deduction and the joint standard deduction. Idaho also enacted a 1/10 point rate reduction for one year.

Most individual income tax collections occur through the monthly withholding process. The remainder is collected through filing collections, which consist of payments made with tax returns and payments associated with audit recoveries. Since the enactment of Idaho's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. (An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.) A separate filing tax of \$10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961 when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other "checkoffs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds such as nongame wildlife, drug enforcement, etc.

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2000 and FY 2001 are based on a combination of econometric analysis and judgment.

The econometric analysis begins with the Idaho Economic Model (IEM), an economic base model of Idaho's economy that is used to derive employment by industry and by income type. Idaho income data is then used to correlate historical net withholding collections (gross withholding collections less refunds) to Idaho wage and salary payments. Filing collections are estimated using proprietors' income as the primary explanatory variable.

The econometric-based forecast of net withholding collections and filing collections are then adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals, and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast that follows assumes no further change in current Idaho income tax law, a standard practice of this Division's revenue forecasts.

Historical Data:

INDIVIDUAL INCOME TAX (\$ THOUSANDS)

Year		Gross Collections	Distributions		
			Refunds	Gen. Fund	Perm. Building Fund Misc. "Check-Off" Donations
FY70	Actual	\$45,142.4	\$6,603.4	\$35,858.8	\$1,120.0
FY71	Actual	51,186.4	7,512.8	40,738.9	1,104.3
FY72	Actual	64,107.9	9,460.1	51,235.1	1,040.2
FY73	Actual	76,510.6	13,658.2	59,164.7	977.7
FY74	Actual	95,374.0	16,058.6	75,103.7	973.4
FY75	Actual	117,911.0	23,372.8	89,566.5	1,046.8
FY76	Actual	131,064.3	24,436.3	99,387.0	940.7
FY77	Actual	150,650.7	29,844.0	116,587.3	920.6
FY78	Actual	169,195.1	24,210.7	143,660.6	39.6
FY79	Actual	198,231.0	31,245.2	163,203.8	907.8
FY80	Actual	212,761.8	35,322.8	172,620.9	1,081.4
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2
FY82	Actual	264,162.3	45,070.0	215,835.5	1,082.1
FY83	Actual	272,845.0	56,725.0	212,356.6	1,064.1
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0
FY85	Actual	314,955.9	62,164.8	249,277.9	3,322.7
FY86	Actual	324,704.5	63,132.6	258,065.2	3,275.8
FY87	Actual	331,393.7	63,191.4	264,128.9	3,842.1
FY88	Actual	340,376.7	50,486.1	287,156.0	2,581.4
FY89	Actual	394,403.4	47,582.5	343,077.5	3,551.4
FY90	Actual	459,019.4	56,873.5	398,284.0	3,668.1
FY91	Actual	508,711.2	72,282.6	432,218.3	3,984.1
FY92	Actual	543,233.5	80,435.4	459,438.2	3,157.0
FY93	Actual	609,443.1	96,209.4	508,023.1	4,998.9
FY94	Actual	671,419.7	107,859.3	559,166.6	4,215.4
FY95	Actual	724,809.1	123,717.5	596,457.5	4,459.0
FY96	Actual	770,804.9	115,072.5	650,850.0	4,708.5
FY97	Actual	830,855.9	121,650.3	704,819.9	4,236.1
FY98	Actual	914,961.2	133,761.8 ¹	776,192.0	4,817.3
FY99	Actual	989,401.5	142,222.8	841,865.0	5,107.5
FY00	Actual	1,113,448.3	148,071.2	960,163.7	5,041.1
FY01	Projection	1,207,900.0	177,700.0	1,024,200.0	5,200.0
FY02	Projection	1,287,000.0	184,900.0	1,096,600.0	5,300.0

1. Includes a \$1.1 million increase in the refund fund balance.

CORPORATE INCOME TAX

Description: (Title 63, Chapter 30, *Idaho Code*)

Collections from the corporate income tax are currently based on a flat rate of 8.0% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

CORPORATE INCOME TAX RATE HISTORY

Tax Rates on the Portion of Income:							
Greater Than	\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
But Not More Than	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	
Tax 1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
Years 1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	6.0%	8.0%
1954 ¹	1.28%	2.55%	3.40%	4.25%	5.10%	5.10%	6.80%
1955	7.5%	Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income					
1957	8.0%	+ 10% Surcharge in 1957 and 1958.					
1959	9.5%						
1963	10.5%						
1965	6.0%						
1972	6.5%						
1981	6.5%	+ 0.2% franchise tax up to \$250,000.					
1983	7.7%						
1987	8.0%						

1. Same tax rate as 1954 but with the inclusion of a 15% reduction (negative surcharge).

Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. (An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.) An additional filing tax of \$10 per tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund.

Basis of Projection:

Projections of the General Fund revenue from the corporate income tax are based on a combination of econometric analysis, a simulation model of the cash-flow process under quarterly payments, and judgment. Historical corporate income tax collections are correlated with income and financial concepts found in the IEM and DRI's *Review of the U.S. Economy*.

The revenue collected in FY 1991 declined as a consequence of declines in one-time cash flow from quarterly payments. Quarterly payments have also accelerated the response time between changes in profit conditions and corporate income tax cash flow. When combined with multi-state apportionment, this yields an accelerated link between national economic conditions and Idaho corporate income tax receipts. The sharp drop in corporate income tax collections in FY 1997 is the result of the semiconductor price collapse that struck the DRAM industry in 1996.

Historical Data:**CORPORATE INCOME TAX**

(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Multi-State Tax Compact
FY70	Actual	\$11,125.8	\$1,661.1	\$10,645.6	\$52.1	
FY71	Actual	12,562.9	1,875.8	11,736.1	57.5	
FY72	Actual	12,895.0	1,924.9	12,276.3	62.7	
FY73	Actual	16,024.7	3,340.0	15,220.2	68.7	
FY74	Actual	23,076.0	4,021.6	22,161.0	74.0	
FY75	Actual	28,161.7	5,616.1	26,978.7	81.1	
FY76	Actual	31,751.8	2,215.4	29,448.9	87.6	
FY77	Actual	31,033.6	1,931.6	29,009.9	92.1	
FY78	Actual	33,326.2	2,481.8	30,802.9	41.5	
FY79	Actual	39,247.1	3,322.2	35,869.3	55.5	
FY80	Actual	42,603.9	3,133.3	39,363.2	107.4	
FY81	Actual	50,875.5	4,416.2	46,288.4	127.2	\$43.6
FY82	Actual	45,602.0	5,416.2	40,010.6	146.4	26.3
FY83	Actual	39,673.6	10,191.3	29,281.3	149.0	51.9
FY84	Actual	42,226.7	15,504.7	26,535.3	116.6	70.1
FY85	Actual	49,660.1	6,698.2	42,788.0	133.6	40.3
FY86	Actual	50,253.2	6,900.6	43,138.4	150.2	63.9
FY87	Actual	53,276.8	6,878.1	46,165.9	190.9	41.9
FY88	Actual	74,230.7	10,070.2	63,906.1	160.3	94.0
FY89	Actual	80,394.1	7,152.7	72,962.6	209.6	69.3
FY90	Actual	82,635.9	9,914.5	72,492.0	212.3	17.2
FY91	Actual	72,265.0	11,995.9	60,017.2	252.0	0.0
FY92	Actual	71,443.1	13,162.9	57,971.3	194.2	114.7
FY93	Actual	83,582.6	13,194.3	70,003.8	282.0	102.5
FY94	Actual	102,772.3	14,870.6	87,628.2	196.8	76.7
FY95	Actual	152,809.5	20,818.3	131,636.1	250.7	104.4
FY96	Actual	173,392.5	21,128.3	151,979.2	246.7	38.3
FY97	Actual	138,276.6	15,479.0	122,357.2	249.5	190.9
FY98	Actual	136,996.0	19,301.9	117,286.4	283.7	124.0
FY99	Actual	117,073.9	20,927.4	95,437.7	270.0	438.8
FY00	Actual	149,355.2	23,934.1	124,872.9	303.6	244.6
FY01	Projection	194,200.0	23,700.0	170,000.0	300.0	200.0
FY02	Projection	157,600.0	21,300.0	135,800.0	300.0	200.0

SALES TAX

Description: (Title 63, Chapter 36, *Idaho Code*)

Sales tax collections are based on a flat rate of 5% applied to the sales price or value of tangible personal property and services that are subject to sales and use taxation. The rate and distribution history is shown on the following table.

SALES TAX RATE HISTORY AND DISTRIBUTION FORMULA

(\$ THOUSANDS)

Effective Date	Tax Rate	Gen. Fund	Perm. Build Fund	Rev. Sharing	Alloc. to Counties ⁷	Pollut-ion Control	Public School Inc. Fund	Misc. Distributions
Jul-1965	<u>3.0%</u>	<u>Bal.</u>	<u>\$500</u>					<u>1,2</u>
Jul-1968	3.0%	Bal.	\$500		<u>5.0%</u>			2
Jul-1969	3.0%	Bal.	\$500		<u>10.0%</u>			2
Jul-1970	3.0%	Bal.	\$500		<u>15.0%</u>			2
Jul-1971	3.0%	Bal.	\$500		<u>20.0%</u>			2
Jul-1975	3.0%	Bal.	\$500		20.0%			2,4
Jul-1976	3.0%	Bal.	\$500		20.0%			2,4
Jul-1977	3.0%	Bal.	\$500		20.0%			2,3,4
Jul-1980	3.0%	Bal.	\$500		<u>10.0%</u>		<u>10.0%</u>	2,3,4
Mar-1983	<u>4.0%</u>	Bal.	\$500		10.0%		10.0%	2,3,4
Jun-1983	<u>4.5%</u>	Bal.	\$500		10.0%		10.0%	2,3,4
Jul-1984	<u>4.0%</u>	Bal.	\$500	<u>6.25%</u>	<u>7.5%</u>	<u>\$4,800</u>		3,4
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800		3,4
Jul-1987	5.0%	Bal.	\$500	<u>7.75%</u>	<u>6.0%</u>	\$4,800		3,4
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5,6
Jul-1998	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5
Jul-2000	5.0%	Bal.	<u>\$5,000</u>	<u>13.75%</u>	<u>0.0%</u>	<u>\$4,800</u>		3,4,5

1. Amount equal to 1-mill of all assessed property values distributed to Teachers Retirement System; \$1,000,000 lump sum (one-time) distribution to Tax Commission.
2. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
3. Amount equal to the sum required to be certified by the Idaho housing agency.
4. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
5. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
6. Amount necessary to fund Property Tax Relief.
7. For the period March 1983 through June 1984 this percentage was applied only to the 3% "base" sales tax rate. Beginning in 2000, this allocation was "folded into" the revenue sharing allocation.

Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has been made in any year, nor is one anticipated for the current fiscal year. Beginning in 1996, this provision is limited to no more than \$89 million. Also, it only applies to bonds issued prior to 1996. In effect, this provision has been repealed for bonds issued on or after January 1996.

Basis of Projection:

The projections of FY 2000 and FY 2001 net General Fund accruals from the sales tax are based on econometric analysis and judgment. Historic monthly gross collections data are first adjusted for changes in the tax rate and any major collection anomalies. The adjusted data is then related to Idaho wage and salary disbursements and construction data using econometric analysis. Income forecasts from the *Idaho Economic Forecast* are then used to forecast gross sales tax collections. Historical refund levels and the current distribution formula are used to translate gross collections to net General Fund accruals. FY 2000 collections and accruals are also extrapolated from receipts-to-date, based on historical collection patterns. Judgmental considerations include the results of ongoing revenue monitoring and the expected impacts of new compliance and audit activities.

Historical Data:

SALES TAX (\$ THOUSANDS)

		Gross Collections	Distributions								
			Refunds	Gen. Fund	Perm. Building Fund	Rev. Sharing	Alloc. To Counties	Pollution Control	Circuit Breaker	Property Tax Relief	Misc. Dist.
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7				\$3,899.9 ^{1,2}
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0				3,900.0 ^{1,2}
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6				3,831.3 ^{1,2}
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1				4,961.9 ^{1,2}
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5				5,844.1 ^{1,2}
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7				5,683.8 ¹
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3				6,838.6 ¹
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1				8,817.8 ¹
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8				10,360.0 ¹
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1				11,796.8 ¹
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9				12,994.9 ¹
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0				32,132.2 ^{1,2}
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4				32,067.5 ^{1,2}
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3				34,086.6 ^{1,2}
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2				36,127.9 ^{1,2}
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0			40.4 ³
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0			28.3 ³
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0			14.6 ³
FY88	Actual	311,382.5	672.5	258,762.1	500.0	24,084.5	18,637.1	4,800.0	\$3,890.1		36.2 ³
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7		25.4 ³
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5		94.9 ³
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1		148.3 ³
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1		52.5 ³
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2		50.8 ³
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3		132.9 ³
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1		-16.6 ³
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	40,757.1	17.6 ³
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4	60.7 ³
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4	594.5 ³
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0	744.6 ³
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0	492.7 ³
FY01	Projected	791,000.0	2,826.1	658,000.0	5,000.0	108,373.9	0.0	4,800.0	12,000.0	0.0	0.0
FY02	Projected	836,000.0	2,840.6	696,300.0	5,000.0	114,559.4	0.0	4,800.0	12,500.0	0.0	0.0

Please Note: The column titled "Misc. Dist." is used to display other distributions as noted below.

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact.

CIGARETTE TAX

Description: (Title 63, Chapter 25, *Idaho Code*)

Cigarette tax collections are based on a rate of one and four-tenths of a cent (1.4 cent) per cigarette or 28 cents per package of 20 cigarettes. Five cents per package of cigarettes are distributed to the Public School Income Fund and five cents are earmarked for County Juvenile Probation Services. Of the remaining 18 cents per package of cigarettes, 6.7% is distributed to the Water Pollution Control Fund; 1% (to a maximum of the legislative appropriation) is distributed to the Central Cancer Registry Fund; 2.5% is distributed to the Cancer Control Fund; and the remainder is distributed to the General Fund.

CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate Per Cigarette	Distribution to PSIF Per Cigarette	Distribution to Juv. Prob. Svcs. Per Cigarette	Distribution of Remaining Receipts as Percent or \$ per Cigarette				
				Gen. Fund	Central Cancer Reg. Fund ²	Perm Build. Fund	Water Poll. Control	Cancer Control Fund
May-1945	\$0.00100			100.0%				
Jul-1947	<u>0.00150</u>			100.0%				
Jul-1955	<u>0.00200</u>			100.0%				
Jul-1959	<u>0.00250</u>			100.0%				
Jul-1961	<u>0.00300</u>			<u>\$0.00250</u>		<u>\$0.00050</u>		
Jul-1963	<u>0.00350</u>			<u>\$0.00300</u>		0.00050		
Jul-1972	<u>0.00455</u>			<u>\$0.00350</u>	<u>\$0.00005</u> to <u>\$40,000</u>	0.00050	<u>\$0.00050</u>	
Jul-1974	0.00455			Balance	1.099% to <u>\$40,000</u>	<u>10.989%</u>	<u>10.989%</u>	
Jul-1975	0.00455			Balance	1.099% to <u>\$55,000</u>	10.989%	10.989%	
Jul-1978	0.00455			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%	
Jul-1979	0.00455			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%	<u>3.645%</u>
Jul-1980	0.00455			Balance	1.099% to <u>\$85,000</u>	10.989%	10.989%	3.645%
Jul-1982	0.00455			Balance	1.099% to <u>\$95,000</u>	10.989%	10.989%	3.645%
Jul-1984	0.00455			Balance	1.099% to <u>\$100,000</u>	10.989%	10.989%	3.645%
Mar-1987	<u>0.00900</u> ¹			<u>Balance</u> ¹	1.099% to <u>\$100,000</u>	10.989%	10.989%	3.645%
Jul-1987	0.00900			Balance	<u>1.000%</u> to <u>\$100,000</u>	<u>43.300%</u>	<u>6.700%</u>	<u>2.500%</u>
Jul-1989	0.00900			Balance	1.000% to <u>\$110,000</u>	43.300%	6.700%	2.500%
Jul-1994	<u>0.01400</u>	<u>\$0.00500</u>		Balance	1.000% ³	43.300%	6.700%	2.500%
Mar-1995	0.01400	<u>0.00250</u>	<u>\$0.00250</u>	Balance	1.000% ³	43.300%	6.700%	2.500%
Jul-2000	0.01400	0.00250	<u>\$0.00250</u>	Balance	1.000% ³	<u>0.000%</u>	6.700%	2.500%

1. From March 1, 1987 to July 1, 1987 the additional \$.00445 was all distributed to the General Fund.

2. The Central Cancer Registry Fund receives the lesser of its percentage or its dollar cap.

3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2001 and FY 2002 are based on a subjective assessment of recent collections history, Idaho population growth, and the trend toward decreased per capita cigarette consumption.

Historical Data:

CIGARETTE TAX

(\$ THOUSANDS)

			Distributions							
			Gen. Fund	Perm. Building Fund	Refunds	Water Pollution Fund	Cancer Control Fund	Central Cancer Registry Fund	Public School Endow. Fund	County Juvenile Probation Fund
Year		Gross Collections	Gen. Fund	Perm. Building Fund	Refunds	Water Pollution Fund	Cancer Control Fund	Central Cancer Registry Fund	Public School Endow. Fund	County Juvenile Probation Fund
FY70	Actual	\$4,885.9	\$4,188.0	\$697.9						
FY71	Actual	5,173.4	4,434.4	739.0						
FY72	Actual	6,136.8	5,260.2	876.6						
FY73	Actual	8,074.5	6,248.4	867.1		\$919.1		\$40.0		
FY74	Actual	8,365.7	6,475.7	925.0		925.0		40.0		
FY75	Actual	8,544.4	6,599.6	939.1	\$26.6	939.1		40.0		
FY76	Actual	8,866.2	6,868.8	959.9	22.5	959.9		55.0		
FY77	Actual	8,980.5	6,926.6	983.8	31.3	983.8		55.0		
FY78	Actual	9,098.5	7,010.6	995.0	43.0	995.0		55.0		
FY79	Actual	8,919.2	6,841.5	974.2	59.2	974.2		70.0		
FY80	Actual	9,009.1	6,580.3	981.9	69.3	981.9	\$325.7	70.0		
FY81	Actual	9,331.1	6,802.3	1,017.8	70.7	1,017.8	337.6	85.0		
FY82	Actual	9,244.3	6,717.1	1,004.7	99.5	1,004.7	333.2	85.0		
FY83	Actual	9,288.9	6,746.1	1,010.8	91.0	1,010.8	335.3	95.0		
FY84	Actual	8,989.8	6,523.7	978.0	90.8	978.0	324.4	95.0		
FY85	Actual	8,854.8	6,405.2	960.1	114.9	960.1	318.5	96.0		
FY86	Actual	8,536.9	6,150.2	922.3	143.9	922.3	305.9	92.2		
FY87	Actual	10,552.8	8,193.4	911.8	142.2	911.8	302.4	91.2		
FY88	Actual	15,033.9	6,921.0	6,399.8	253.8	989.8	369.5	100.0		
FY89	Actual	14,782.8	6,792.8	6,283.4	271.6	972.3	362.8	100.0		
FY90	Actual	12,738.7	5,884.3	5,464.3	119.1	845.5	315.5	110.0		
FY91	Actual	14,696.2	6,863.4	6,356.8	15.4	983.6	367.0	110.0		
FY92	Actual	15,205.6	7,072.3	6,547.2	85.0	1,013.1	378.0	110.0		
FY93	Actual	15,029.6	6,995.1	6,490.5	40.0	1,004.3	374.7	125.0		
FY94	Actual	16,394.3	7,605.6	7,047.1	119.4	1,090.4	406.9	125.0		
FY95	Actual	23,270.6	7,245.6	6,733.5	63.8	1,041.9	388.8	141.0	\$6,537.6	\$1,118.4
FY96	Actual	25,228.0	7,476.5	6,944.0	281.9	1,074.5	400.9	141.0	4,454.6	4,454.6
FY97	Actual	25,053.3	7,486.5	6,953.0	74.7	1,075.9	401.4	141.0	4,460.4	4,460.4
FY98	Actual	24,951.0	7,476.9	6,944.3	3.7	1,074.5	400.9	141.0	4,454.8	4,454.8
FY99	Actual	24,195.2	7,230.0	6,732.5	8.9	1,041.7	388.7	155.5	4,318.9	4,318.9
FY00	Actual	24,417.9	7,295.4	6,789.7	22.3	1,050.6	392.0	156.6	4,355.7	4,355.7
FY01	Projection	23,160.4	7,900.0	6,429.9	61.0	0.0	371.2	148.5	4,124.9	4,124.9
FY02	Projection	21,990.8	7,500.0	6,104.3	61.0	0.0	352.4	141.0	3,916.0	3,916.0

TOBACCO PRODUCTS TAX

Description: (Title 63, Chapter 25, *Idaho Code*)

Idaho levies a 35% tax on the wholesale price of tobacco products, except for cigarettes. This entire amount, net of refunds, is remitted to the General Fund. An additional 5% of the wholesale price is also collected. Half of this additional amount is earmarked for the Public School Income Fund, with \$250,000 appropriated to Idaho State Police. The other half of the 5% collected is distributed to the Department of Juvenile Corrections for county juvenile probation services.

TOBACCO TAX RATE AND DISTRIBUTION HISTORY

Percent of Wholesale Price Distributed to Fund				
Effective Date	Water Pollution Control	General Fund	Public School Income	County Juvenile Probation Fund
Jul-1972	35.0%	0.0%	0.0%	0.0%
Jul-1994	35.0%	0.0%	5.0%	0.0%
Mar-1995	35.0%	0.0%	2.5%	2.5%
Jul-1996	35.0%	0.0%	2.5% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%

¹. \$250,000 of this amount goes to Idaho State Police.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2001 and FY 2002 are based on a subjective assessment of recent collections history, Idaho population growth, inflation, and the trend toward reduced tobacco products consumption.

Historical Data:

TOBACCO TAX
(\$ THOUSANDS)

		Gross Collections	Distributions				
			Gen. Fund	Refunds	Water Pollution Fund	Public School Income Fund	County Juvenile Probation Fund
Year							
FY86	Actual	1,350.7	0.0	7.7	1,343.0	0.0	0.0
FY87	Actual	1,401.4	0.0	1.3	1,400.1	0.0	0.0
FY88	Actual	1,533.2	0.0	1.6	1,531.5	0.0	0.0
FY89	Actual	1,556.8	0.0	0.1	1,556.7	0.0	0.0
FY90	Actual	1,778.4	0.0	3.9	1,774.5	0.0	0.0
FY91	Actual	1,934.4	0.0	49.4	1,885.0	0.0	0.0
FY92	Actual	2,235.8	0.0	4.3	2,231.5	0.0	0.0
FY93	Actual	2,475.5	0.0	5.6	2,469.9	0.0	0.0
FY94	Actual	2,874.6	0.0	15.5	2,859.0	0.0	0.0
FY95	Actual	3,605.4	0.0	2.3	3,167.1	381.8	54.2
FY96	Actual	3,825.7	0.0	5.0	3,343.1	238.8	238.8
FY97	Actual	4,001.8	0.0	89.3	3,423.4	244.5	244.5
FY98	Actual	4,070.5	0.0	56.0	3,512.7	250.9	250.9
FY99	Actual	4,307.6	0.0	3.2	3,766.4	269.0	269.0
FY00	Actual	4,391.1	0.0	7.3	3,835.8	274.0	274.0
FY01	Projection	4,691.0	4,100.0	5.3	0.0	292.9	292.9
FY02	Projection	4,919.6	4,300.0	5.3	0.0	307.1	307.1

BEER TAX

Description: (Title 23, Chapter 10, *Idaho Code*)

A total tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Of the total, 20% is distributed to the Alcoholism Treatment Fund, 33% to the Permanent Building Fund, and the remainder (47%) to the General Fund. Historical rates of the tax and its distribution are listed below.

BEER TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per 31 Gal. Barrel	Distribution Mechanism
Mar-1935	\$1.55	50% to General Fund (GF); 50% to Public School Income Fund.
Jul-1939	\$1.55	100% to GF.
Jul-1947	\$3.10	100% to GF.
Jul-1961	\$4.65	\$3.10 to GF; \$1.55 to Permanent Building Fund (PBF).
Jul-1980	\$4.65	\$2.17 to GF; \$1.55 to PBF; \$.93 to Alcoholism Treatment Fund (ATF).
Jul-1986	\$4.65	47% to GF; 33% to PBF; 20% to ATF.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on an assessment of recent collections, the slow decline in per capita beer consumption, and Idaho population growth.

Historical Data:**BEER TAX**

(\$ THOUSANDS)

		Gross Collections	Distributions			
			Gen. Fund	Perm. Building Fund	Refunds	Alcoholism Treatment Fund
Year						
FY70	Actual	\$1,989.6	\$1,326.5	\$663.1		
FY71	Actual	2,097.3	1,398.3	699.1		
FY72	Actual	2,316.1	1,544.1	772.0		
FY73	Actual	2,564.2	1,709.6	854.5		
FY74	Actual	2,690.0	1,793.4	896.5		
FY75	Actual	2,938.3	1,959.0	979.3		
FY76	Actual	3,062.9	2,023.2	1,011.6	\$28.1	
FY77	Actual	3,241.1	2,144.3	1,072.0	24.8	
FY78	Actual	3,326.7	2,200.7	1,100.3	25.7	
FY79	Actual	3,466.0	2,291.6	1,145.7	28.6	
FY80	Actual	3,516.2	2,326.4	1,163.2	26.6	
FY81	Actual	3,215.4	1,498.8	1,068.9	4.7	\$642.9
FY82	Actual	3,574.6	1,669.0	1,190.5	0.9	714.3
FY83	Actual	3,532.0	1,650.3	1,176.0	0.0	705.6
FY84	Actual	3,442.5	1,607.0	1,147.1	0.0	688.3
FY85	Actual	3,422.2	1,597.5	1,140.1	0.5	684.1
FY86	Actual	3,312.6	1,545.5	1,103.5	1.6	662.1
FY87	Actual	3,311.6	1,554.9	1,091.8	3.2	661.7
FY88	Actual	3,251.7	1,527.6	1,072.6	1.4	650.0
FY89	Actual	3,244.5	1,509.9	1,060.1	31.9	642.5
FY90	Actual	3,304.6	1,552.1	1,089.8	2.2	660.5
FY91	Actual	3,414.7	1,602.5	1,125.2	5.1	681.9
FY92	Actual	3,525.6	1,656.9	1,163.4	0.3	705.1
FY93	Actual	3,621.6	1,701.6	1,194.7	1.2	724.1
FY94	Actual	3,643.1	1,711.8	1,201.9	1.0	728.4
FY95	Actual	3,521.7	1,654.1	1,161.4	2.3	703.9
FY96	Actual	3,455.6	1,620.9	1,138.1	7.0	689.7
FY97	Actual	3,468.6	1,629.9	1,144.4	0.8	693.6
FY98	Actual	3,445.8	1,619.4	1,137.0	0.2	689.1
FY99	Actual	3,585.6	1,683.9	1,182.3	2.8	716.5
FY00	Actual	3,737.0	1,754.2	1,231.7	4.6	746.5
FY01	Projection	3,768.2	1,770.0	1,242.8	2.3	753.2
FY02	Projection	3,810.8	1,790.0	1,256.8	2.3	761.7

WINE TAX

Description: (Title 23, Chapter 13, *Idaho Code*)

A tax of \$0.45 per gallon is levied on wine and beer containing more than 4% alcohol sold in Idaho. Of the total, 12% is distributed to the Alcoholism Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder (83%) to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

WINE TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per Gallon	State of Origin	Distribution Mechanism
Jul-1971	\$0.45	All	100% to General Fund (GF).
Jul-1980	\$0.45	All	\$0.40 to GF; \$0.05 to Alcoholism Treatment Fund (ATF).
Jul-1984	\$0.20	Idaho	\$0.15 to GF; \$0.05 to ATF.
	\$0.45	Non-Idaho	\$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20	Idaho	88% to GF; 12% to ATF.
	\$0.45	Non-Idaho	88% to GF; 12% to ATF.
Jul-1988	\$0.45	All	88% to GF; 12% to ATF.
Jul-1994	\$0.45	All	83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on a subjective assessment of recent collection history, the trend toward lower wine consumption per capita, the rising popularity of microbrewery beers, and Idaho population growth.

Historical Data:

WINE TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Gen. Fund	Refunds	Alcoholism Treatment Fund	ID Grape Growers & Wine Producers Commission
FY70	Actual	\$0.0	\$0.0			
FY71	Actual	0.0	0.0			
FY72	Actual	394.9	394.9			
FY73	Actual	437.1	437.1			
FY74	Actual	425.5	425.5			
FY75	Actual	457.7	457.7			
FY76	Actual	488.5	470.7	\$17.8		
FY77	Actual	502.3	485.6	16.7		
FY78	Actual	591.6	573.0	18.6		
FY79	Actual	652.5	632.1	20.4		
FY80	Actual	657.6	629.5	28.1		
FY81	Actual	609.0	526.9	14.6	\$67.5	
FY82	Actual	759.1	675.3	0.0	83.8	
FY83	Actual	778.1	692.2	0.0	85.9	
FY84	Actual	837.5	744.7	0.0	92.9	
FY85	Actual	872.4	767.0	6.2	99.2	
FY86	Actual	955.2	844.7	0.9	109.6	
FY87	Actual	985.4	862.1	5.7	117.6	
FY88	Actual	989.1	866.7	4.2	118.2	
FY89	Actual	905.9	788.7	9.6	107.6	
FY90	Actual	880.7	771.3	4.2	105.2	
FY91	Actual	853.2	750.1	0.8	102.3	
FY92	Actual	907.1	753.1	51.3	102.7	
FY93	Actual	856.4	750.5	3.5	102.3	
FY94	Actual	918.4	806.2	2.2	109.9	
FY95	Actual	1,375.5	1,140.5	0.7	165.0	\$69.3
FY96	Actual	1,840.4	1,524.1	4.2	220.3	91.8
FY97	Actual	2,005.4	1,663.7	1.0	240.5	100.2
FY98	Actual	2,170.7	1,800.8	1.0	260.4	108.5
FY99	Actual	2,294.1	1,904.0	0.2	275.3	114.7
FY00	Actual	2,375.4	1,963.1	10.2	283.8	118.3
FY01	Projection	2,328.4	1,930.0	3.1	279.0	116.3
FY02	Projection	2,292.2	1,900.0	3.1	274.7	114.5

LIQUOR SURCHARGE

Description: (Title 23, Chapters 2 and 4, *Idaho Code*)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State Liquor Dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund. Other dedicated moneys from the liquor surcharge include: \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund. Of the balance of the distribution, 40% is distributed to counties and the remaining 60% is distributed to cities.

Historical Data:

LIQUOR SURCHARGE

(\$ THOUSANDS)

		Gross Distribu.	Distributions						
			Gen. Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	PBF Cities & Counties
Year									
FY70	Actual	\$7,116.0	\$1,910.4						
FY71	Actual	8,228.1	2,005.5						
FY72	Actual	8,686.9	2,401.0						
FY73	Actual	10,497.1	2,814.7						
FY74	Actual	10,739.6	2,961.7						
FY75	Actual	9,445.4	2,517.4						
FY76	Actual	11,371.8	2,786.1						
FY77	Actual	10,569.5	2,883.4						
FY78	Actual	11,241.4	3,192.7						
FY79	Actual	12,138.3	3,369.9						
FY80	Actual	13,490.0	3,529.6						
FY81	Actual	14,378.7	3,741.8						
FY82	Actual	12,914.8	3,948.1						
FY83	Actual	15,487.2	3,700.0						
FY84	Actual	15,170.2	3,820.0						
FY85	Actual	12,780.1	4,945.0	\$1,200.0	\$300.0	\$650.0	\$1,200.0		\$4,485.1
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.5
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.8
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0		2,500.0
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0		3,082.9
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0		4,130.0
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0		3,973.3
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0		4,704.1
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0		4,507.8
FY94	Actual	26,149.3	5,365.0	1,200.0	300.0	650.0	1,200.0	\$6,255.8	11,178.5
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,154.3
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,283.1
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	9,122.3
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,310.7
FY99	Actual	18,584.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,289.1
FY00	Actual	19,891.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,596.7
FY01	Projection	20,886.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	12,591.3
FY02	Projection	21,930.6	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	13,635.6

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For more information, please call DFM.

KILOWATT-HOUR TAX

Description: (Title 63, Chapter 27, *Idaho Code*)

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on electricity generated in the state of Idaho by water power. Power used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax has been levied since July 1, 1931.

Basis of Projection:

Kilowatt-hour tax receipts for FY 2001 and FY 2002 are based on an assessment of recent collection history in comparison to river flows, water availability, and changes in power generation capacity.

Historical Data:

KILOWATT-HOUR TAX

(\$ THOUSANDS)

		Gross Collections	Distributions	
			Refunds	Gen. Fund
Year				
FY70	Actual	\$403.3		\$403.3
FY71	Actual	575.0		575.0
FY72	Actual	550.3		550.3
FY73	Actual	826.1		826.1
FY74	Actual	592.8		592.8
FY75	Actual	408.1		408.1
FY76	Actual	1,255.7	\$88.4	1,167.3
FY77	Actual	597.1	0.1	597.0
FY78	Actual	510.4	0.0	510.4
FY79	Actual	1,651.8	0.0	1,651.8
FY80	Actual	1,404.9	0.0	1,404.9
FY81	Actual	1,607.5	0.0	1,607.5
FY82	Actual	1,755.6	0.0	1,755.6
FY83	Actual	2,176.9	0.0	2,176.9
FY84	Actual	2,412.7	0.0	2,412.7
FY85	Actual	2,270.6	0.0	2,270.6
FY86	Actual	2,100.9	0.0	2,100.9
FY87	Actual	1,819.2	0.0	1,819.2
FY88	Actual	1,487.0	0.0	1,487.0
FY89	Actual	1,593.6	0.0	1,593.6
FY90	Actual	1,677.0	0.0	1,677.0
FY91	Actual	1,783.2	0.0	1,783.2
FY92	Actual	1,615.8	5.3	1,610.5
FY93	Actual	1,478.7	29.4	1,449.3
FY94	Actual	2,125.0	37.0	2,088.0
FY95	Actual	1,686.5	0.0	1,686.5
FY96	Actual	2,947.0	57.1	2,889.9
FY97	Actual	2,973.6	0.0	2,973.6
FY98	Actual	3,239.9	0.0	3,239.9
FY99	Actual	2,885.7	0.0	2,885.7
FY00	Actual	2,800.4	35.0	2,765.4
FY01	Projection	2,300.0	0.0	2,300.0
FY02	Projection	2,300.0	0.0	2,300.0

MINE LICENSE TAX

Description: (Title 47, Chapter 12, *Idaho Code*)

Revenue is derived from a 2% "profit" tax on Idaho mining operations. Sixty-six percent of the collections accrue to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Account. This tax has been levied since 1935. It was initially set at 3%, then it was lowered to 2% in 1972 where it has remained since. The sharp General Fund increase in FY 1999, and the sharp refund increase in FY 2000 are due to a large payment (\$1.25 million) that was made under protest in FY 1999, then refunded when a legal decision was made in favor of the taxpayer in FY 2000.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

Historical Data:

MINE LICENSE TAX

(\$ THOUSANDS)

		Gross Collections	Distributions		
			Refunds	Abandoned Mine Reclamation Account	Gen. Fund
Year					
FY70	Actual	\$264.1			\$264.1
FY71	Actual	268.2			268.2
FY72	Actual	152.9			152.9
FY73	Actual	73.9			73.9
FY74	Actual	192.8			192.8
FY75	Actual	482.0			482.0
FY76	Actual	413.6	\$8.1		405.5
FY77	Actual	203.2	0.4		202.8
FY78	Actual	273.5	4.3		269.2
FY79	Actual	552.3	1.4		551.0
FY80	Actual	1,905.9	0.4		1,905.5
FY81	Actual	2,145.2	27.6		2,117.6
FY82	Actual	2,449.4	4.7		2,444.7
FY83	Actual	687.6	14.3		673.3
FY84	Actual	1,106.2	0.9		1,105.3
FY85	Actual	676.1	90.9		585.2
FY86	Actual	380.6	12.0		368.7
FY87	Actual	283.5	0.3		283.2
FY88	Actual	570.8	0.0		570.8
FY89	Actual	215.8	2.6		213.2
FY90	Actual	278.0	25.0		253.0
FY91	Actual	471.8	1.0		470.9
FY92	Actual	588.7	3.1		585.7
FY93	Actual	441.7	331.8		109.9
FY94	Actual	487.6	14.4		473.2
FY95	Actual	291.0	1.2		289.9
FY96	Actual	800.8	0.0		800.8
FY97	Actual	764.7	101.4		663.4
FY98	Actual	1,101.3	140.8		960.5
FY99	Actual	2,241.0	258.1		1,982.9
FY00	Actual	1,038.3	1,344.4	353.0	-659.1
FY01	Projection	726.1	120.0	206.1	400.0
FY02	Projection	726.1	120.0	206.1	400.0

STATE TREASURER

Description: (Title 67, Chapter 12, *Idaho Code*)

State Treasurer's income is derived from interest on investments of idle state funds. Investments are made in time certificates of deposit, U.S. Treasury bills, and repurchase agreements. The yield from these investments is related to short-term interest rates, coupled with the amount of fund balances available for the Treasurer to invest. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund. Beginning in fiscal year 2000, all interest earned on the Permanent Building Fund balance will be retained by that fund instead of being paid to the General Fund. In addition, beginning in FY 2000, the Treasurer will be allowed to invest in certain corporate financial instruments and United States Small Business Administration Loans.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2001 projection includes approximately \$6.5 million of net interest earnings by the Treasurer from the issuance of tax anticipation notes. The FY 2002 projection does not include tax anticipation note interest earnings.

JUDICIAL BRANCH

Description: (Sections 1-402 and 19-4705, *Idaho Code*)

Revenues are derived from court fees and from 10% of all fines and forfeitures collected pursuant to the judgment of any court of the state, with the exception of Fish and Game law violations, of which 2.5% goes to the General Fund. Certain court fees were raised in FY 1997.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on an assessment of recent collection history, fee changes, and Idaho population growth.

DEPARTMENT OF INSURANCE

Description: (Title 41, Chapters 4, 34, and 39, *Idaho Code*)

Idaho's insurance premium tax is applied at a rate of 2.75% of net direct insurance premiums written in the state, except for title insurance, which is taxed at the rate of 1.5%. Property and casualty insurers with 25% or more of their total assets and life insurers with 25% or more of their total life reserves invested in qualifying Idaho investments may qualify for a reduced tax rate of 1.4%.

Effective July 1, 1997, as a result of legislation changing Chapter 39, all health maintenance organizations became managed care organizations and under Idaho law beginning January 1, 1998, will pay the 2.75% premium tax rate rather than the \$.04 per subscriber head tax.

Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's taxes as reported on the company's filed premium tax return. Prepayment percentages are 60% in June, 20% in September, and 15% in December, with the balance due with the filing in March. The fire insurance premium tax collections are dedicated to the Firemen's Retirement Fund.

The Department of Insurance collects a variety of filing and license fees. These revenues are dedicated to the Insurance Administration Fund to fund operations of the Department of Insurance. At the beginning of each succeeding fiscal year, any balance in the Insurance Administration Fund exceeding the current year appropriation by 25% is transferred to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, agency records of insurers qualifying for the lower rate, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are then run through a simulation model of the cash-flow process to capture the effects on prepayment, filing reconciliation collections, and refunds. FY 1998 collections reflect the revenue impact of managed care organizations changing from payment of the \$.04 head tax to tax payment based on the premium tax rate.

IDAHO STATE POLICE (LIQUOR LAW ENFORCEMENT)

Description: (Title 23, Chapters 9, 10, and 13, *Idaho Code*)

Revenue is derived from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers at a standard fee.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2001 and FY 2002 are based on a subjective assessment of recent collection history and Idaho population growth.

UNCLAIMED PROPERTY

Description: (Title 14, Chapter 5, *Idaho Code*)

Unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and the like accrue to the state after certain holding periods. Beginning in FY 1983, amounts in the Unclaimed Property Fund exceeding \$100,000 were transferred to the General Fund. Prior to that time, the excess was transferred to the Permanent Building Fund. Beginning in FY 1995, the Tax Commission transferred amounts in the Unclaimed Property Fund exceeding \$250,000 to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of unclaimed property are based on a subjective assessment of recent collection history.

SECRETARY OF STATE

Description: (Sections 30-1-122, 53-262, and 67-910, *Idaho Code*)

The principal source of revenue from the Secretary of State is derived from the filings of articles of incorporation. Many other miscellaneous fees, such as Uniform Commercial Code (UCC) filing fees and notary fees, are collected by the Secretary of State. From July 1, 1996 to June 30, 2000, most of the revenue collected accrued to the Commercial Affairs Administrative Account. Since the beginning of fiscal year 2001, these monies accrue to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of revenue from this source are based on a subjective assessment of recent collection history, recent tax law changes, and agency expectations.

ESTATE AND TRANSFER TAX

Description: (Title 14, Chapter 4, *Idaho Code*)

The Idaho Estate and Transfer tax is known as a "Pick Up" Tax. The federal code allows a decedent's estate to take a credit against state estate taxes paid, up to certain limits, based on the total size of the estate. The amount of this allowable federal credit for Idaho is calculated based on federal statute. The amount of Idaho Estate and Transfer Tax due is equal to this credit. Ten percent of the amount collected is distributed to the county of probate and the remainder, net of refunds, accrues to the state's General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The FY 2001 and FY 2001 General Fund revenue projection for this source is based on a trend analysis of past collections and judgment.

OTHER DEPARTMENTS AND TRANSFERS

The primary revenue sources for this miscellaneous category are receipts from the Department of Finance, Department of Lands, Department of Administration, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. Environmental violation penalties assessed by the Division of Environmental Quality are an irregular income source. The annual transfer to the General Fund from the Federal Power Act (through the State Treasurer) is also included. However, the unpredictable nature of other items included in this source is evidenced by the collection history.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of miscellaneous General Fund revenues for FY 2001 and FY 2002 are based on a subjective assessment of recent collection history and expected transfers.

MISCELLANEOUS REVENUES

(\$THOUSANDS)

Year		Distributions to General Fund							
		Estate Tax	State Treasurer	Judicial Branch	Dept. of Insurance	Idaho State Police (Liq. Law)	Un- Claimed Property	Secretary of State	Other Depts. and Transfers
FY70	Actual	0.0	\$3,216.1	\$1.8	\$4,831.5	\$444.2	\$0.0	\$873.6	\$1,473.4
FY71	Actual	0.0	3,151.1	310.5	5,345.7	477.3	0.0	683.7	685.9
FY72	Actual	0.0	2,172.5	868.1	6,024.1	526.0	0.0	834.6	1,790.0
FY73	Actual	0.0	3,055.8	1,056.4	6,664.1	530.6	0.0	1,192.1	2,023.5
FY74	Actual	0.0	5,895.8	1,188.1	7,471.6	555.0	0.0	935.2	922.4
FY75	Actual	0.0	7,790.3	1,141.5	7,945.6	573.4	0.0	1,130.2	632.5
FY76	Actual	0.0	7,013.4	1,242.0	8,915.8	593.0	0.0	1,051.3	1,603.0
FY77	Actual	0.0	5,529.3	1,268.1	10,693.5	624.7	0.0	986.3	626.2
FY78	Actual	0.0	5,465.2	1,446.6	12,175.2	654.4	0.0	1,536.3	647.9
FY79	Actual	0.0	7,382.4	1,618.6	13,555.0	670.4	0.0	1,181.8	845.6
FY80	Actual	0.0	12,946.3	1,894.8	14,894.7	719.6	0.0	1,521.9	710.5
FY81	Actual	0.0	10,257.4	1,850.8	14,845.9	918.9	0.0	1,510.4	902.1
FY82	Actual	0.0	12,282.6	2,036.1	15,442.0	911.5	0.0	512.1	2,108.0
FY83	Actual	0.0	8,663.9	2,109.6	22,345.0	939.6	175.3	538.9	6,996.0
FY84	Actual	0.0	12,227.9	2,154.9	16,730.0	932.2	597.0	559.6	1,478.3
FY85	Actual	0.0	10,931.1	2,355.3	18,329.8	1,033.8	1,304.9	571.6	5,672.5
FY86	Actual	0.0	9,549.6	2,544.1	20,867.5	1,052.5	906.7	624.3	6,757.2
FY87	Actual	0.0	7,615.7	2,800.7	21,257.1	1,059.9	866.3	953.8	10,492.8 ¹
FY88	Actual	0.0	10,010.0	2,860.1	31,182.3	1,035.8	997.7	1,083.0	2,108.0 ²
FY89	Actual	0.0	16,178.4	3,135.9	26,217.5	1,033.9	744.9	1,010.6	3,544.5 ³
FY90	Actual	0.0	17,552.6	3,426.1	25,209.2	1,081.5	1,155.7	1,073.4	2,429.6 ⁴
FY91	Actual	0.0	19,387.7	3,331.7	28,643.7	994.5	1,145.4	1,165.6	2,440.1 ⁵
FY92	Actual	0.0	11,810.0	3,390.7	31,944.9	1,010.2	1,353.3	1,396.1	2,580.6 ⁶
FY93	Actual	0.0	10,540.0	3,210.0	28,810.0	960.0	1,335.5	907.6	912.4
FY94	Actual	0.0	10,611.2	3,721.9	33,193.5	1,039.0	1,707.9	784.0	4,904.4 ⁷
FY95	Actual	0.0	15,000.0	3,894.0	34,934.6	1,072.3	2,089.2	854.5	3,635.2 ⁸
FY96	Actual	0.0	18,541.4	4,244.8	36,126.4	1,047.9	1,387.1	941.2	3,566.1 ⁹
FY97	Actual	0.0	18,243.0	4,707.9	40,262.5	1,140.9	829.4	26.2	3,381.5 ¹⁰
FY98	Actual	0.0	17,930.0	5,016.3	42,846.5	1,151.6	1,168.0	33.0	3,668.7 ¹¹
FY99	Actual	0.0	18,686.7	5,131.7	45,465.2	1,158.1	1,588.9	11.6	5,659.7 ¹²
FY00	Actual	0.0	21,559.7	5,305.7	46,431.9	1,300.2	2,308.2	22.3	13,427.6 ¹³
FY01	Projected	27,000.0	18,400.0	5,400.0	48,600.0	1,420.0	1,000.0	2,000.0	20,440.0 ¹⁴
FY02	Projected	7,300.0	12,800.0	5,500.0	50,900.0	1,440.0	1,000.0	2,000.0	9,710.0 ¹⁵

1. Includes a one-time transfer totaling \$9,337,000 from the Water Pollution Control Fund.
2. Includes a one-time reversion of \$204,400 from the University of Idaho.
3. Includes offsetting transfers of \$2.0 million from and to the Water Pollution Control Fund; and \$300,000 borrowed and repaid by the Lottery Commission.
4. Includes off-setting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes on-time transfer of \$125,000 from the Department of Insurance and \$200,000 from the Parks Land Trust.
6. Includes \$513,894 in one-time transfer from State Treasurer's interagency billing and receipts fund in FY 1992.
7. Transfers of: \$3,000,000 from Budget Reserve Fund; \$420,000 from Liquor Fund; and approximately \$350,000 from Department of Finance.
8. Includes a \$1,858,000 transfer from the Department of Finance.
9. Includes a \$1,517,000 transfer from the Department of Finance and a \$145,000 transfer from the Secretary of State.
10. Includes a \$1,117,000 transfer from the Department of Finance.
11. Includes a \$1,567,000 transfer from the Department of Finance.
12. Includes a \$1,245,700 transfer from the Department of Finance, a \$428,000 transfer from the Secretary of State, a \$1,102,395 recovery of cost allocation expenses.
13. Includes a \$1,694,300 transfer from the Department of Finance, a \$574,800 transfer from the Secretary of State, a \$1,203,400 recovery of cost allocation expenses.
14. Includes a \$2,241,970 transfer from the Department of Finance, a \$2,575,000 transfer from the Secretary of State, a \$1,407,407 recovery of cost allocation expenses, a \$5,000,000 transfer from the Department of Environmental Quality, and a \$500,000 transfer from the Department of Lands.
15. Includes a \$1,140,000 recovery of cost allocation expenses.

Idaho's Tax Structure

Exemptions, Credits, Exclusions and Deductions

INTRODUCTION

This report is a comprehensive guide to the structure of Idaho's primary General Fund revenue sources. It provides a detailed examination of the various departures from the broadly defined *base* of the income and sales taxes. These two taxes supply well over 90% of the revenue that goes to the General Fund.

The everyday vernacular refers to these departures from the tax base as *tax breaks*. An analogous term used by fiscal analysts is *tax expenditures*. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The end result is always the same: a tax that is defined on the basis of a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

The following pages provide both an inventory and an explanation of Idaho's sales and income tax expenditures. The goal is to facilitate greater understanding of these important elements of Idaho's overall fiscal structure. It is not an attempt to judge the merits of any particular tax expenditure.

The definition of a tax expenditure (for the purpose of this report) is *any provision of Idaho law that excludes some portion of the tax base on a selective basis*. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of consumption (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government-issued securities) is excused from the income tax.

Limiting the definition of tax expenditures to Idaho tax provisions is arbitrary and is primarily done to limit the scope of this publication. Indeed, many federal income tax provisions have the effect of granting large tax expenditures within Idaho. The mortgage interest deduction is a good example. Although nothing technically prevents Idaho from treating mortgage interest different than the federal tax law, the practical ramifications prevent Idaho from making large deviations from federal tax law. Consequently, this report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Some apparent tax breaks are not really tax expenditures, because their impacts lie outside of the basic definition of the tax base. The sales tax "exemption" for goods purchased for resale is one such case. This is because the sales tax is intended to apply to retail sales, and the "exemption" for goods purchased for resale is the statutory mechanism used to differentiate between retail and wholesale trade. The income tax rate brackets are another example of a tax policy that impacts the amount of revenue produced from the fundamental tax base, but are not considered a selective "exemption" for purposes of this report. That's because all income that falls into a particular bracket is taxed at that bracket's rate, regardless of the overall income (or any other characteristic) of the taxpayer.

This report includes estimates of the cost of each tax expenditure. This is an estimate of how much tax payment is being avoided by the beneficiaries of the tax expenditure. It is not an estimate of the revenue that would be raised by eliminating the tax expenditure. Several additional factors need to be considered when producing a revenue estimate associated with any particular tax law change.

In many cases, especially those involving substantial structural changes, tax law changes could reasonably be expected to change the economic behavior of taxpayers. The fiscal estimates included in this report are based on current economic behavior, meaning they reflect an environment that includes the effect of the tax expenditure. It should be noted that in many cases even the fiscal estimates based on the actual tax structure are difficult to produce. Attempting to factor in behavioral adjustments can add a substantial amount of complexity to the fiscal analysis.

Another factor that is not reflected in these fiscal estimates is the amount of tax gap. The tax gap is the difference between the theoretical amount of revenue associated with eliminating a particular tax expenditure and the actual revenue that would be realized. The probable size of the “tax gap” is impacted by a number of variables, including the manner in which a tax exemption is removed and the amount of resources that are allocated to compliance and collection efforts. Clearly these are variables that are “unknowable” prior to any specific proposal for law changes.

Tax expenditures are placed in the law for a variety of reasons. The primary reasons are to encourage a particular behavior on the part of taxpayers, to provide fiscal relief to particular taxpayers, or to simplify the administration of the tax laws.

In many cases, tax expenditures have an alternative, appropriation-based method for accomplishing the policy objective behind the tax expenditure. Often, the appropriation-based alternative will have significant differences (relative to the tax expenditure) in terms of overhead cost and public policy ramifications.

Overhead cost comparisons associated with tax expenditures vs. appropriations depend on the specific circumstances of the particular tax expenditure/appropriation alternative being considered, and the “value” of both is difficult to examine.

This is particularly the case with sales and income tax expenditures that are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The secrecy of sales and income tax information is protected under felony penalty provisions. The confidentiality associated with tax expenditures seriously inhibits close scrutiny, and makes it difficult or impossible to establish the “value” (as opposed to the cost) of the tax expenditure.

Tax expenditures “cost” the public in the form of lost revenue that could otherwise be used to fund appropriations or reduce tax rates. However, the estimates of the amount of lost revenue contained in this report do not take into consideration the overhead that would be needed to collect the lost revenue. That overhead can vary from very large, as in the case of tax expenditures that are for the purpose of simplifying tax administration, to negative, as in the case of a tax expenditure that in itself increases the administrative costs associated with the particular tax.

INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho's income tax is a flat 8% on corporate income and a maximum of 8.2% on individual income. The individual income tax rate is graduated on taxable income below \$40,000 for married taxpayers and below \$20,000 for single taxpayers. Rates on individuals vary from a low of 2% (on incomes below \$2,000 and \$1,000 for married and single taxpayers, respectively) to the top rate of 8.2%.

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho's policy discretion but are not considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective with regard to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal adjusted gross income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are **not** Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

The principal Idaho income tax expenditures relating to uses of income are:

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Technological Equipment Deduction
- Alcohol/Gasohol Production Deduction - *Repealed*
- Alternative Energy Device Deduction
- Insulation Deduction
- Workers' Compensation Premium Deduction
- Child Care Deduction
- College Savings Deduction
- Health Insurance Deduction

Elderly and Development Disability Deduction
Adoption Expense Deduction
Medical Savings Account Deduction
New Employee Credit
Riparian Land Improvements

The principal Idaho income tax expenditures relating to sources of income are:

Capital Gains Exclusion
Government Interest Exclusion
Social Security Exclusion
Railroad Retirement Exclusion
Retirement Benefit Exclusion
Idaho Lottery Winnings Exclusion
Indian Earnings on Reservation Exclusion
World War II Reparations Exclusion
Marriage Penalty Deduction

SALES AND USE TAX

The Idaho sales tax is a transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

The rate of Idaho's sales tax is a flat 5%. No partial exemptions exist (that is, nothing is taxed at a rate below 5% but above 0%).

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable (and therefore are excluded from this compilation of tax expenditures) are "Hotels and Other Lodging Places" (SIC Major Group 70), "Amusement and Recreation Services" (SIC Major Group 79), and "Motion Pictures" (SIC Major Group 78).

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the *use* of the good or service, exemptions based on the *specific good or service* being purchased, and exemptions based on the *individual or entity* making the purchase or sale.

Principal Idaho sales tax expenditures relating to specific uses are:

- Production Exemption - Equipment
- Production Exemption - Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sales of Businesses or Business Assets
- Food Stamps/WIC
- Motor Vehicles Used Outside of Idaho
- Common Carrier Purchases and Out-of-State Sales
- Donations of Real Property to Idaho Government

Incidental Sales of Tangible Personal Property
Lodging, Eating, and Drinking Places
School Lunches and Senior Citizen Meals
Drivers Education Automobiles
Ski Lifts and Snowgrooming Equipment
Clean Rooms

Principal Idaho sales tax expenditures relating to specific goods and services are:

Goods Not Taxed

Motor Fuels
Heating Materials
Utility Sales
Used Mobile Homes
Vending Machines and Amusement Devices
Prescriptions and Durable Medical Equipment
Funeral Caskets
Containers
Nonprofit Literature
Official Documents
Precious Metal Bullion
New Manufactured Homes or Modular Buildings
Telecommunications Equipment

Services Not Taxed

Construction
Agricultural and Industrial Services
Transportation Services
Communications
Repairs
Professional Services
Business Services
Personal Services
Health and Medical Services
Social Services
Educational Services
Lottery Tickets and Pari-Mutuel Betting
Media Measurement Services
Miscellaneous Services

Principal Idaho sales tax expenditures relating to specific entities are:

Educational Institution Purchases
Hospital Purchases
Health Entity Purchases

Canal Company Purchases
Forest Protective Association Purchases
Food Bank Purchases
Nonsale Clothier Purchases
Centers for Independent Living
State of Idaho and Local Government Purchases
Ronald McDonald House Rooms
INEEL R&D Purchases
Motor Vehicle Purchases by Family Members
Sales by 4-H and FFA Clubs at Fairs
Sales by Non-Retailers (Yard and Occasional Sales)
Sales by Indian Tribes on Reservations
Sales of Meals by Churches to Members
Sales by Outfitters and Guides
Sales Through Vending Machines
Auto Manufacturer Rebates
Incidental Sales of Churches
Federal Excise Tax Imposed at Retail Level
Federal Constitutional Prohibitions
Federal and State Statutory Prohibitions

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

1.00 Income Tax Expenditures (Calendar Year Basis)

Uses of Income Not Taxed		<u>CY 1997</u>	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY2000</u>	<u>CY2001</u>	<u>CY2002</u>
1.01	Investment Tax Credit	\$33,422	\$22,438	\$24,973	\$30,908	\$33,686	\$35,968
1.02	Other States Tax Credit	\$24,890	\$27,676	\$29,313	\$31,654	\$33,651	\$35,688
1.03	Elderly Dependent Credit	\$287	\$313	\$317	\$322	\$326	\$330
1.04	Youth & Rehab Credit	\$3,768	\$4,267	\$4,506	\$4,974	\$5,275	\$5,484
1.05	Schools & Libraries Credit	\$2,186	\$2,233	\$2,366	\$2,556	\$2,718	\$2,882
1.06	Grocery Credit	\$17,466	\$17,931	\$18,234	\$18,550	\$18,829	\$19,079
1.07	Recycled Products Credit	\$18	\$4	\$27	\$27	\$27	\$27
1.08	Technological Equipment Deduction	\$47	\$67	\$71	\$75	\$79	\$84
1.09	Alcohol/Gasohol Production Deduction	\$3	\$3	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>
1.10	Alternative Energy Device Deduction	\$283	\$265	\$281	\$302	\$321	\$341
1.11	Insulation Deduction	\$489	\$443	\$469	\$505	\$537	\$569
1.12	Workers' Comp. Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.13	Child Care Deduction	\$2,888	\$2,932	\$2,965	\$3,002	\$3,029	\$3,051
1.14	College Saving Deduction	\$0	\$0	\$0	\$5	\$187	\$377
1.15	Health Insurance Deduction	\$0	\$0	\$0	\$1,600	\$1,700	\$1,400
1.16	Elderly & Dev. Dis. Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.17	Adoption Expenses Deduction	\$51	\$44	\$43	\$43	\$43	\$43
1.18	Medical Savings Accounts	\$866	\$1,014	\$1,074	\$1,156	\$1,228	\$1,303
1.19	New Employees Credit	\$0	\$0	\$0	\$188	\$260	\$115
1.20	Riparian Land Improvements	\$0	\$0	\$250	\$250	\$250	\$250
Sources of Income Not Taxed							
1.21	Capital Gains Exclusion	\$9,808	\$11,436	\$12,104	\$13,002	\$13,823	\$14,659
1.22	Government Interest Exclusion	\$6,310	\$6,259	\$6,426	\$6,880	\$7,296	\$7,585
1.23	Social Security Exclusion	\$16,049	\$17,986	\$18,671	\$19,851	\$21,250	\$22,717
1.24	Railroad Retirement Exclusion						
1.25	Retirement Benefit Exclusion	\$3,481	\$3,684	\$3,824	\$4,066	\$4,352	\$4,653
1.26	Idaho Lottery Winnings Exclusion	\$4,180	\$3,902	\$4,090	\$4,289	\$4,394	\$4,467
1.27	Indian Earnings on Reservation Exclusion	\$293	\$313	\$332	\$357	\$380	\$403
1.28	World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.29	Marriage Penalty	\$0	\$0	\$1,200	\$11,900	\$12,090	\$12,272

2.00 Sales Tax Expenditures (Fiscal Year Basis)

Specific Uses Not Taxed		<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
2.01	Production Exemption Equipment	\$63,833	\$70,210	\$79,708	\$89,852	\$96,012	\$103,981
2.02	Production Exemption Supplies	\$48,321	\$53,149	\$60,339	\$68,018	\$72,681	\$78,714
2.03	Irrigation Equipment & Supplies	\$2,312	\$2,370	\$2,429	\$2,490	\$2,552	\$2,616
2.04	Pollution Control Equipment	\$2,752	\$2,885	\$3,018	\$3,285	\$3,368	\$3,562
2.05	Broadcast Equipment	\$1,440	\$1,584	\$1,798	\$2,027	\$2,166	\$2,346
2.06	Publication Equipment	\$92	\$102	\$115	\$130	\$139	\$150
2.07	Commercial Aircraft	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
2.08	Railroad Rolling Stock & Remanufacturing	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125
2.09	Interstate Trucks	\$3,794	\$4,191	\$4,595	\$4,668	\$4,711	\$5,177
2.10	Out-of-State Contracts	\$2,400	\$2,640	\$2,997	\$3,378	\$3,610	\$3,909
2.11	Trade-in Value	\$16,198	\$17,891	\$19,616	\$19,930	\$20,111	\$22,102
2.12	Sales of Businesses or Business Assets	\$1,139	\$1,253	\$1,422	\$1,603	\$1,713	\$1,855
2.13	Food Stamps/WIC	\$2,841	\$2,810	\$2,864	\$3,017	\$3,149	\$3,296
2.14	Motor Vehicles used Outside of Idaho	\$9,048	\$9,993	\$10,957	\$11,132	\$11,233	\$12,345
2.15	Common Carrier Purchases & Out-of-State Sale	NA	NA	NA	NA	NA	NA
2.16	Donation of Real Property to Idaho Gov't	\$3	\$3	\$3	\$3	\$3	\$3
2.17	Incidental Sales of Tangible Personal Property	\$10	\$10	\$10	\$10	\$10	\$10
2.18	Lodging, Eating, & Drinking Places	\$37	\$39	\$43	\$46	\$48	\$51
2.19	School Lunches & Senior Meals	\$1,802	\$1,867	\$1,938	\$2,019	\$2,072	\$2,129
2.20	Driver's Education Automobiles	\$32	\$32	\$32	\$32	\$32	\$32
2.21	Ski Lifts and Snowgrooming Equipment	\$500	\$500	\$500	\$500	\$500	\$501
2.21a	Clean Rooms	\$0	\$0	\$200	\$400	\$400	\$400

2.00 Sales Tax Expenditures (Fiscal Year Basis)

Goods Not Taxed		<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
2.22	Motor Fuels	\$35,921	\$33,952	\$43,508	\$47,816	\$47,094	\$48,114
2.23	Heating Materials	\$2,314	\$2,176	\$2,836	\$3,159	\$2,830	\$2,795
2.24	Utility Sales	\$44,749	\$45,470	\$46,270	\$47,026	\$47,678	\$48,299
2.25	Used Mobile Homes	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
2.26	Vending Machines & Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.27	Prescriptions & Durable Medical Equipment	\$10,021	\$11,098	\$11,725	\$12,453	\$13,376	\$14,455
2.28	Funeral Caskets	\$629	\$667	\$712	\$761	\$809	\$864
2.29	Containers	\$17	\$18	\$20	\$21	\$22	\$24
2.30	Nonprofit Literature	\$76	\$78	\$89	\$91	\$92	\$93
2.31	Official Documents	\$43	\$43	\$44	\$45	\$45	\$46
2.32	Precious Metal Bullion	\$465	\$465	\$465	\$465	\$465	\$465
2.33	New Manufactured Homes & Modular Building	\$1,226	\$1,274	\$1,348	\$1,399	\$1,458	\$1,521
2.34	Telecommunications Equipment	\$374	\$411	\$453	\$498	\$548	\$602
Services Not Taxed							
2.35	Construction	\$67,716	\$71,794	\$78,858	\$84,552	\$86,058	\$88,694
2.36	Agricultural & Industrial Services	\$3,969	\$4,140	\$4,330	\$4,535	\$4,724	\$4,920
2.37	Transportation Services	\$11,202	\$11,647	\$12,367	\$13,070	\$13,719	\$14,433
2.38	Communications	\$23,663	\$24,144	\$24,686	\$25,224	\$25,706	\$26,198
2.39	Repairs	\$21,683	\$23,005	\$24,559	\$26,265	\$27,920	\$29,812
2.40	Professional Services	\$122,636	\$130,071	\$138,859	\$148,506	\$157,862	\$168,566
2.41	Business Services	\$25,463	\$27,016	\$28,841	\$30,844	\$32,787	\$35,010
2.42	Personal Services	\$7,191	\$7,629	\$8,144	\$8,710	\$9,259	\$9,886
2.43	Health & Medical Services	\$127,380	\$133,452	\$140,988	\$149,743	\$160,837	\$173,822
2.44	Social Services	\$37,850	\$40,158	\$42,870	\$45,848	\$48,736	\$52,040
2.45	Educational Services	\$10,127	\$10,745	\$11,471	\$12,267	\$13,040	\$13,924
2.46	Lottery & Pari-Mutuel Betting	\$6,012	\$6,050	\$5,989	\$6,177	\$6,373	\$6,576
2.47	Media Measurement Services	\$0	\$40	\$41	\$42	\$44	\$45
2.48	Miscellaneous Services	\$9,549	\$10,006	\$10,541	\$11,120	\$11,676	\$12,305
Specific Entities Not Taxed							
2.49	Educational Institution Purchases	\$4,344	\$4,324	\$4,744	\$5,071	\$5,011	\$4,987
2.50	Hospital Purchases	\$9,514	\$9,967	\$10,530	\$11,184	\$12,013	\$12,983
2.51	Health Entity Purchases	\$84	\$90	\$201	\$214	\$226	\$242
2.52	Canal Company Purchases	\$644	\$652	\$667	\$681	\$691	\$702
2.53	Forest Protective Associations Purchases	\$28	\$29	\$29	\$30	\$30	\$31
2.54	Food Bank Purchases	\$80	\$135	\$146	\$155	\$164	\$175
2.55	Nonsale Clothiers	\$1	\$1	\$1	\$1	\$1	\$1
2.56	Centers for Independent Living	\$3	\$3	\$3	\$3	\$3	\$3
2.57	Idaho State & Local Government Purchases	\$12,366	\$13,303	\$15,354	\$16,806	\$16,983	\$17,775
2.58	Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.59	INEEL R&D Purchases	\$2,952	\$3,233	\$3,609	\$4,037	\$4,299	\$4,638
2.60	Motor Vehicle Purchases by Related Parties	\$1,062	\$1,173	\$1,286	\$1,306	\$1,318	\$1,449
2.61	Sales by 4H & FFA Clubs at Fairs	\$23	\$23	\$23	\$23	\$23	\$23
2.62	Sales by Non-Retailers (Yard & Occasional Sal	\$1,452	\$1,545	\$1,666	\$1,778	\$1,879	\$2,006
2.63	Sales by Indian Tribes on Reservations	\$2,368	\$2,508	\$2,741	\$2,939	\$3,095	\$3,278
2.64	Sales of Meals by Churches to Members	\$6	\$7	\$7	\$8	\$8	\$8
2.65	Sales by Outfitters & Guides	\$13	\$13	\$13	\$13	\$13	\$13
2.66	Sales through Vending Machines	\$1,219	\$1,288	\$1,373	\$1,446	\$1,509	\$1,580
2.67	Auto Manufacturers' Rebates	\$350	\$387	\$424	\$431	\$435	\$478
2.68	Incidental Sales of Churches	\$364	\$387	\$417	\$445	\$471	\$502
2.69	Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.70	Constitutionally Prohibited	NA	NA	NA	NA	NA	NA
2.71	Statutorily Prohibited	NA	NA	NA	NA	NA	NA

TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the expenditure's *Idaho Code* reference, a brief description of its features, and its significant legislative and judicial history.

INDIVIDUAL AND CORPORATE INCOME TAX

Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly or partially exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly or partially exempt from taxation. Credits are deductions from the tax itself that are expressed either as a percentage of some qualifying amount or as a lump sum. Credits may be further divided into those that are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund, and those that are non-refundable, meaning that they are only usable if there is a tax liability to offset.

In general, deductions and exclusions must be used in the year they are incurred, with the exception of business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. Unlike the sales tax, the Idaho income tax is deductible from federal income taxes. This applies to all corporate taxpayers and to individual taxpayers who itemize their deductions. This means that the "benefit" of an Idaho income tax expenditure is split between Idaho taxpayers and the federal treasury. The terms of the split depend on the marginal federal tax rate of the taxpayer. For a taxpayer in the 36% federal bracket, the benefit of each dollar of Idaho tax expenditure is split \$.64 to the taxpayer, \$.36 to the federal treasury. This feature of the income tax is particularly significant in assessing the cost effectiveness of an Idaho tax expenditure as an incentive for some particular behavior.

1.01 Investment Tax Credit *Idaho Code 63-3029B*

Description: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 50% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to fourteen years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to

make technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduce the portion of tax liability that could be offset from 50% to 45%, and eliminated a restriction on replacement property. It was amended in 2000 to increase the portion of tax liability that could be offset from 45% to 50%, and to extend the carryover period from seven to fourteen years.

1.02 Other States Tax Credit *Idaho Code 63-3029*

Description: The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double-taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

History: Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation.

1.03 Elderly Dependent Credit *Idaho Code 63-3025D*

Description: This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is \$100 for each such family member, with no more than \$300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and development disability deduction allowed under *Idaho Code*, Section 63-3022E (see item 1.16).

History: Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

1.04 Youth and Rehabilitation Credit *Idaho Code 63-3029C*

Description: This is a credit provided to taxpayers who make charitable contributions to the Anchor House, the North Idaho Children's Home, the Idaho Youth Ranch, the Children's Home Society of Idaho, Inc., a center for independent living located within the State of Idaho, or to a non-profit rehabilitation facility that is located in Idaho and accredited by the Commission on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers the credit is limited to the lesser of \$100 or 20% of the taxpayer's income tax liability. For corporations the credit is limited to the lesser of \$500 or 10% of the taxpayer's income tax liability. There is no carry over provision.

History: The credit was enacted in 1982. The Anchor House was added in 1986. The Children's Home Society and centers for independent living were added in 1998. The Hope House, Inc. was added in 1999.

1.05 Schools, Libraries, and Museums Credit *Idaho Code 63-3029A*

Description: A credit is allowed for charitable contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho State Library; or to non-profit public or private museums located within Idaho. The credit is 50% of the contribution. In the case of individuals it is limited to 20% of the taxpayer's income tax liability or \$50, whichever is less. In the case of corporations, the credit is limited to 10% of the tax liability or \$500, whichever is less.

History: Originally enacted in 1976, the school credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Non-profit museums were added in 1994. The Idaho State Library was added in 1998. University related research parks were added in 1999.

1.06 Grocery Credit *Idaho Code 63-3024A*

Description: This credit is available to every Idaho resident (or part-year resident) who appears as a personal exemption on an Idaho income tax return. It is not available to Idaho residents who do not have sufficient income to meet Idaho's income tax filing requirement unless they are over 62 years of age, are blind, or are a disabled American veteran. The credit amount is \$15 for individuals under 65 years of age, \$30 for individuals 65 years of age or older. Part-year residents are entitled to a proportionate credit reflecting the portion of the year they were domiciled in Idaho. There are no carry over provisions associated with the grocery credit.

History: The grocery credit was originally enacted in 1965. It was amended in 1972 to make the credit refundable for residents over 65 years of age. It was amended in 1975 to make it refundable for resident taxpayers of all ages who meet the filing requirements. It is not refundable to non-residents. The grocery credit was amended in 1978 to raise the credit for individuals 65 years of age and older from \$20 to \$30. It was amended in 1983 to add statute of limitation to the credit. It was amended in 1996 to restrict the credit to residents.

1.07 Recycling Equipment Credit *Idaho Code 63-3029D*

Description: This credit is for 20% of the cost of equipment used in manufacturing products that consist of at least 90% post-consumer waste. The credit is limited to no more than \$30,000 in a single tax year, and unused portions may be carried forward up to seven years. It is non-refundable.

History: This credit was enacted in 1994.

1.08 Technological Equipment Deduction *Idaho Code 63-3022J*

Description: A deduction from taxable income is allowed to individuals and corporations for the fair-market value of computers and scientific equipment (and computer software) that are donated to Idaho public schools, public libraries, or public and private colleges and universities. The equipment may not be over five years old at the time of donation, and the donee must issue a written statement accepting the donation. The deduction cannot reduce taxable income to less than zero.

History: This deduction was enacted for schools in 1984 as 63-3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63-3022J in 1995.

1.09 Alcohol/Gasohol Production Deduction *Idaho Code 63-3022(m)*

Description: This deduction from Idaho taxable income is for the amount of tax credit claimed for alcohol (ethanol) fuel production under the federal income tax. For federal income tax purposes, gross income includes an amount equal to the federal alcohol fuel credit.

History: Enacted in 1981. Repealed in 1998.

1.10 Alternative Energy Devices Deduction *Idaho Code 63-3022C*

Description: The Alternative Energy Device Deduction allows a deduction for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices in the taxpayer's residence. The deduction is limited to 40% of the cost in the first year and 20% of the cost in the next three years. No single year's deduction may exceed \$5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

History: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Division of Environmental Quality.

1.11 Insulation Deduction *Idaho Code 63-3022B*

Description: This deduction is for the cost of insulation installed in buildings that "existed" as of January 1, 1976 and served as a residence of the taxpayer. A building "existed" if it was already built, under construction, or subject to an outstanding building permit. The insulation cannot be replacement for existing insulation.

History: Enacted in 1976.

1.12 Workers' Compensation Premium Deduction *Idaho Code 63-3022(p)*

Description: This deduction is allowed to self-employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

1.13 Child Care Deduction *Idaho Code 63-3022D*

Description: The Child Care Deduction allows individual taxpayers to deduct childcare expenses which qualify for purposes of computing the federal child care credit. The maximum deduction allowed is \$2,400 for one qualifying child and \$4,800 for two or more qualifying children.

History: This deduction was enacted in 1977 in response to the federal switch from a deduction to a credit.

1.14 College Savings Deduction *Idaho Code 63-3022(o)*

Description: A deduction is allowed for amounts contributed to a college savings program (as defined in Chapter 54, Title 33, *Idaho Code*). The deduction is limited to a maximum of \$4,000 per tax year.

History: Enacted in 2000.

1.15 Health Insurance Deduction *Idaho Code 63-3022O*

Description: A deduction is allowed for payments for health insurance by self-employed persons so long as those payments were not otherwise deductible from taxable income.

History: Enacted in 2000.

1.16 Elderly and Development Disability Deduction *Idaho Code 63-3022E*

Description: This is a deduction from taxable income of \$1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be either 65 years of age or older, or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is \$3,000.

History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

1.17 Adoption Expense Deduction *Idaho Code 63-3022I*

Description: This deduction is for up to \$3,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994.

1.18 Medical Savings Account Deduction *Idaho Code 63-3022(r)-(t); 41-53xx*

Description: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of \$2,000 per taxpayer (per spouse on joint returns). Other restrictions apply.

History: This deduction was originally enacted in 1994. Amended in 1995 to eliminate a restriction to high-deductible insurance policies, eliminated administrative responsibilities from the depository institution, and allowed taxpayer funded accounts to qualify.

1.19 New Employees Credit *Idaho Code 63-3029F*

Description: A \$500 credit is granted for each new employee in a business involved in manufacturing or processing any natural resource product. The amount of credit that can be claimed in any one tax year is limited (along with most other credits) to 45% of the tax otherwise imposed, and may not exceed 3.25% of the taxpayer's net income. Unused credits may be carried forward up to 3 years.

History: Enacted in 2000.

1.20 Riparian Land Improvements *Idaho Code 63-3024B*

Description: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more than \$2,000 per person per year, and no more than \$250,000 for all such credits allowed in a single tax year.

History: Enacted in 1997, effective January 1, 1998, sunsets December 31, 2002.

1.21 Capital Gains Exclusion *Idaho Code 63-3022H*

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale, and is limited to real property held for at least eighteen months; tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for twelve months or longer; cattle or horses held for twenty-four months or longer; other breeding livestock held twelve months or longer; or timber held for over twenty-four months or longer.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho, and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to eighteen months.

1.22 Government Interest Exclusion *Idaho Code 63-3022(a)*;

Description: This exclusion is for the amount of interest earned on securities issued by the State of Idaho and/or local governments, and interest earned on securities issued by the federal government. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the value of assets subject to the government interest exclusion, to the value of the taxpayer's assets in total.

History: This exclusion has been in effect since enactment of the income tax.

1.23 Social Security Exclusion *Idaho Code 63-3022(o)*

Description: This exclusion is for the amount of social security income that is included in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

1.24 Railroad Retirement Exclusion *Idaho Code 63-3022(o)*

Description: This exclusion is for the amount of railroad retirement benefits paid by the Railroad Retirement Board that are included in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

1.25 Retirement Benefit Exclusion *Idaho Code 63-3022A*

Description: This exclusion is for retirement benefits paid by any of the following: a) U.S. civil service; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) U.S. Military. The exclusion is available to either retirees or unremarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less.

History: This exclusion was enacted in 1973. It is revised annually by the Tax Commission to adjust the maximum exclusion amount.

1.26 Idaho Lottery Winnings Exclusion *Idaho Code 67-7439*

Description: Excludes Idaho Lottery prizes of less than \$600 from taxable income.

History: Originally enacted in 1988 as a 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 (effective 1/1/98). Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

1.27 Indian Earnings on Reservation Exclusion *Idaho Income Tax Regulation 30*

Description: Income earned on an Indian reservation by an Indian who lives on the reservation is not taxable by the state. To qualify for the exclusion, the Indian must be an enrolled member of a federally recognized Indian tribe.

History: This exclusion is the result of various treaties and case law.

1.28 World War II Reparations Exclusion *Idaho Code 63-3022G*

Description: Amounts paid to individuals from the United States Civil Liberties Public Education fund.

History: Enacted in 1989.

1.29 Marriage Penalty Deduction *Idaho Code 63-3022N*

Description: Idaho joint income tax returns are given an additional standard deduction amount equal to double the single standard deduction less the joint deduction. This deduction is not available to returns that claim itemized deductions.

History: Enacted in 1999 at a level of \$150. Amended in 2000 to make it the difference between the joint standard deduction and two times the single standard deduction.

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.01 through 2.21a cover sales tax expenditures that are related to the specific uses of goods and services; 2.22 through 2.34 cover sales tax expenditures that are related to specific goods; 2.35 through 2.48 cover sales tax expenditures that are related to specific services; and 2.49 through 2.71 cover sales tax expenditures that are related to specific entities that receive exemptions on either all or part of the purchases or sales they make.

The listing for exempt services requires a special note. While a variety of classification systems are possible, the classification used here follows the structure of the Standard Industrial Classification (SIC) Manual, Executive Office of the President, Office of Management and Budget. This classification system was chosen because it is the basis for reporting a considerable variety of economic data, including that used for estimating the revenue impact associated with the various services delineated.

The SIC coding system is based on the primary activity of the establishment being coded. For example, one of the activities included under the major group heading Personal Services is Barber Shops and Beauty Salons. The primary function of these establishments is the performance of haircuts and hair styling, both personal services that are presently exempt from sales tax. However, such establishments will also typically engage in retailing hair care products, transactions that are taxable. Thus, the receipts of a service establishment (such as a barbershop) can contain both exempt and taxable components. This is taken into consideration in the estimates of fiscal impact contained herein.

Another feature of the services classification used in this document relates to the classification of types of services vs. classification of industrial categories. SIC categories include major groupings for Automotive Repair and Miscellaneous Repair Services. Miscellaneous Repair Services includes repairs to televisions, stereos, appliances, tools, watches, jewelry, furniture, and most other tangible property. These two major groups cover the bulk of all "repair services." However, garment repair and shoe repair are included in the major group Personal Services. Also, computer repair is contained in the major group Business Services.

For these reasons, care must be taken in moving from this classification of services (based on SIC definitions) and any other classification of services (based on broader conceptual notions, such as repairs to tangible personal property).

2.01 Production Exemption - Equipment *Idaho Code 63-3622D; 63-3622JJ*

Description: This feature of the production exemption exempts equipment used to produce a taxable product. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, logging, farming, and mining. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify. The only exception to this is logging, where any logging equipment qualifies.

Certain specific exclusions from the production exemption exist. They include: hand tools with a unit purchase price of \$100 or less; equipment that is used in activities other than the actual production activity; equipment used in research and development; equipment used in transportation, including motor vehicles and aircraft

that are required to be licensed by any state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property; recreational vehicles; equipment used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, definition of farming. In 1989, 63-3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment.

2.02 Production Exemption - Supplies *Idaho Code 63-3622D, 63-3622JJ*

Description: This feature of the production exemption exempts supplies used in the process of producing a product for resale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, farming, logging, and mining. The supplies must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its production supplies to qualify. The only exception to this is logging, where any logging supplies qualify.

Certain specific inclusions to the production exemption for supplies exist. They include: repair parts, lubricants, hydraulic oil, coolants, chemicals, catalysts, safety supplies (except for logging), and, in the dairy industry, disinfectants used to clean cow udders or to clean pipes, vats, or other milking equipment. Fuel used in logging trucks is also exempt.

Certain specific exclusions from the production exemption for supplies exist. They include: supplies that are used in activities other than the actual manufacturing, mining, farming, or logging process; supplies used in research or development; supplies used in transportation activities; repair supplies, other than parts for production equipment; any tangible personal property that is or is intended to become a component of real property; supplies used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622(d); custom farmers were added to the production exemption in 1987 by amending 63-3603, definition of farming; contract loggers were added in 1989 by adding 63-3605A. In 1990, logging was moved to a separate section and expanded to allow the exemption to apply to persons who are not primarily engaged in logging. Amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting supplies used to fabricate or install production equipment, and adding safety supplies (except for logging). Amended in 1996 to add all fuel used in logging trucks.

2.03 Irrigation Equipment and Supplies *Idaho Code 63-3622W*

Description: Exempts agricultural irrigation equipment and supplies, even if attached to real property, and even if purchased by a contractor for an agricultural irrigation project.

History: Originally enacted in 1975 as 63-3622(f).

2.04 Pollution Control Equipment *Idaho Code 63-3622X*

Description: Exempts equipment required by regulatory agencies for air or water pollution control.

History: Originally enacted in 1977 as 63-3622(e). Amended in 1997 to add certain dry-cleaning equipment.

2.05 Broadcast Equipment and Supplies *Idaho Code 63-3622S*

Description: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

History: It was originally enacted in 1975 as 63-3622(w) and was amended in 1987 to add aircraft to the exclusions from the exemption.

2.06 Publishing Equipment and Supplies *Idaho Code 63-3622T*

Description: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

History: This exemption was originally enacted in 1979 as 63-3622(x). The only amendment in 1987 to this exemption was to add aircraft to exclusions from the exemption.

2.07 Commercial Aircraft *Idaho Code 63-3622GG*

Description: Exempts aircraft purchased for commercial transport of passengers or freight.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho.

2.08 Railroad Rolling Stock and Remanufacturing *Idaho Code 63-3622CC; 63-3622DD*

Description: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

History: Enacted in 1986.

2.09 Interstate Trucks *Idaho Code 63-3622R*

Description: Exempts trucks weighing over 26,000 pounds that are registered under the international registration plan (or similar prorata system) and trailers that are used in a fleet operating in interstate commerce. Provides a recapture of sales tax on vehicles that are part of a fleet that are not used at least 10% outside Idaho during the calendar year.

History: Enacted in 1989.

2.10 Out-of-State Contracts *Idaho Code 63-3622B*

Description: Exempts goods purchased by contractors to install into real property in nontaxing states.

History: Originally enacted in 1965 as 63-3622(b), it was amended in 1993 to extend to non-Idaho contractors.

2.11 Trade-in Value *Idaho Code 63-3613(b)2*

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods.

History: Enacted in 1965. Amended in 1990 to include trade-downs and barter.

2.12 Sale or Lease of Businesses or Business Assets *Idaho Code 63-3622K(b)(2-5)*

Description: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition section 63-3612A in 1967. Section 63-3612A was repealed and moved to 63-3622K in 1988, then amended in 1990 to add related business transfers and sales. Amended in 1996 to add leases of assets among family-owned businesses.

2.13 Food Stamps/WIC *Idaho Code 63-3622EE; 63-3622FF*

Description: Exempts goods purchased with WIC checks and federal food stamps.

History: Mandated in 1987 by the federal government.

2.14 Motor Vehicles Used Outside of Idaho *Idaho Code 63-3622R*

Description: Exempts vehicles under 26,000 pounds bought in Idaho for use outside Idaho. It also applies to trailers. (See 2.09 Interstate Trucks for vehicles over 26,000 pounds and trailers used in interstate commerce.)

History: Originally enacted as 63-3622(q) in 1965, it exempted vehicles sold in Idaho for use out-of-state. It was amended in 1989 to add weight limit.

2.15 Common Carrier Purchases and Out-of-State Sales *Idaho Code 63-3622Q, 63-3622P*

Description: Exempts goods delivered to buyers outside Idaho (63-3622Q) and in-state purchases by common carriers for use outside Idaho if transported out of Idaho under a bill of lading (63-3622P).

History: Originally enacted as 63-3622(p) and 63-3622(o) in 1965.

2.16 Donations of Real Property to Idaho Government *Idaho Code 63-3621(l)*

Description: Allows an exemption from use tax for goods that are donated to either the State of Idaho or to a nonprofit listed in 63-3622O, where the goods are incorporated into real property.

History: Enacted in 1991.

2.17 Incidental Sales of Tangible Personal Property *Idaho Code 63-3609*

Description: Exempts goods sold incidentally when selling real property, such as a stove and refrigerator included with a home.

History: Enacted in 1985.

2.18 Lodging, Eating, and Drinking Places *Idaho Code 63-3612*

Description: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

History: Enacted in 1988.

2.19 School Lunches and Senior Citizen Meals *Idaho Code 63-3622J*

Description: Exempts federal meals programs for youth and elderly.

History: School Lunch programs were exempted in 1965 as 63-3622(k). Amended in 1974 to add sale of meals to aging persons under the Older Americans Act Program.

2.20 Drivers Education Automobiles *Idaho Code 63-3622R(d)*

Description: Exempts the value of motor vehicles that are temporarily donated to drivers education programs.

History: Enacted in 1995.

2.21 Ski Lifts and Snowgrooming Equipment *Idaho Code 63-3622Y*

Description: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

History: Enacted in 1995.

2.21a Clean Rooms *Idaho Code 63-3622NN*

Description: Exempts any tangible personal property that is used in or becomes a part of a “clean room” used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

History: Enacted in 1999.

2.22 Motor Fuels *Idaho Code 63-3622C*

Description: Exempts motor fuels subject to motor fuels tax; exempts off-road fuels loaded in Idaho and used outside Idaho.

History: Originally enacted in 1965 as 63-3622(c). Exempted on road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

2.23 Heating Materials *Idaho Code 63-3622G*

Description: Exempts wood, coal, gas, and petroleum products used as a source of heat for either industrial or domestic purposes.

History: Originally enacted in 1965 as 63-3622(g).

2.24 Utility Sales *Idaho Code 63-3622F*

Description: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

History: Originally enacted in 1965 as 63-3622(f).

2.25 Used Mobile Homes *Idaho Code 63-3622R*

Description: Exempts the sale of used manufactured homes from the sales tax.

History: Original 63-3622(q) amended in 1976 to exempt used manufactured homes.

2.26 Vending Machines and Amusement Devices *Idaho Code 63-3622II*

Description: Exempts coin-operated machines that vend a taxable product or service.

History: Enacted in 1990.

2.27 Prescriptions and Durable Medical Equipment *Idaho Code 63-3622N*

Description: Exempts most prescription medical items.

History: This exemption was originally enacted as 63-3622(q) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, limbs, wheelchairs, hearing aides, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1992 to clarify that dentures and other orthodontic appliances are taxable when purchased by the practitioner. Amended in 1998 to reverse the 1992 amendment, and provide that dental prostheses and other orthodontic appliances, except fillings, are exempt.

2.28 Funeral Caskets *Idaho Code 63-3622U*

Description: Exempts goods sold in conjunction with a funeral.

History: Originally enacted in 1977 as 63-3622(y).

2.29 Containers *Idaho Code 63-3622E*

Description: Exempts containers that are part of goods for sale, including returnable containers.

History: Originally enacted in 1965 as 63-3622(e).

2.30 Nonprofit Literature *Idaho Code 63-3622I*

Description: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

History: Originally enacted in 1965 as 63-3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations in response to the U.S. Supreme Court ruling in *Texas Monthly vs. Bullock*. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

2.31 Official Documents *Idaho Code 63-3622AA*

Description: Exempts sales of documents when the fee for the document is set by *Idaho Code*.

History: Originally enacted in 1984.

2.32 Precious Metal Bullion *Idaho Code 63-3622V*

Description: Exempts sales of precious metal bullion and coins.

History: Originally enacted in 1982 as 63-3622(z).

2.33 New Manufactured Homes or Modular Buildings *Idaho Code 63-3613(c)*

Description: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

History: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

2.34 Telecommunications Equipment *Idaho Code 63-3613(b), 63-3621(a)*

Description: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

History: Enacted in 1996.

2.35 Construction *Idaho Code 63-3609*

Description: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Mobile and manufactured homes are taxed on 55% of the sales price [*Idaho Code 63-3613(c)*] in order to give them equivalent treatment. SIC major groups 15, 16, and 17 are included in this category.

History: The original language of the sales tax defined a "sale" as any transaction involving the exchange of tangible personal property for a consideration (*Idaho Code 63-3612*). In the section of the Sales Tax Act defining a retail sale it is stated that "all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable whether or not such persons intend resale of the improved property (*Idaho Code 63-3609*)."

2.36 Agricultural and Industrial Services

Description: This category of services includes agricultural soil preparation, planting, cultivating, and harvesting; veterinary services; pet boarding and grooming; farm management; lawn and garden services; forestry service; and mining services. SIC major groups 01 through 14 are included in this category.

History: Originally excluded from definition of sales tax base.

2.37 Transportation Services *Idaho Code 63-3613(b)7*

Description: Most charges for transportation of freight and passengers are exempt from the sales tax (*Idaho Code 63-3613(b)7*). Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer (*Idaho Code 63-3613(b)7*), the cost of transportation prior to the sale (*Idaho Code 63-3613(a)3*), and receipts from intrastate transportation of passengers or freight by air charter [*Idaho Code 63-3612(j)*]. SIC major groups 40 through 47 are included in this category.

History: Transportation services have generally been exempt since the enactment of sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

2.38 Communications

Description: Subscriptions or charges for one-way and two-way transmissions of signals containing information (sound, images, data, etc.) are not taxed. This exemption consists mostly of local and long-distance telephone service and cable television. SIC major group 48 is included in this category.

History: Communications have been exempt since the enactment of the sales tax in 1965.

2.39 Repairs *Idaho Code 63-3613(b)4*

Description: The labor charges associated with repairing or installing tangible personal property are generally not taxable as long as they are separately stated on the bill. SIC major groups 75 and 76 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.40 Professional Services

Description: Legal, accounting, engineering, architectural, R&D, public relations, and management services fall within this category. SIC major groups 81 and 87 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.41 Business Services

Description: Advertising, credit agencies, building maintenance, personnel agencies, computer programming and processing, computer repair, and security agencies are some of the major elements of this category. SIC major group 73 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.42 Personal Services

Description: Laundry and dry cleaning, barbers and beauticians, shoe repair, funeral services, tax return preparation, massage parlors, and escort services are among the elements of the personal services major group. SIC major group 72 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.43 Health and Medical Services

Description: Doctors, dentists, hospitals, and nursing home services are the principal elements of this category. SIC major group 80 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.44 Social Services

Description: Adult and child day care, counseling, job training, residential care, and adoption services are some of the principal elements of this category. SIC major group 83 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.45 Educational Services

Description: Elementary and secondary schools, colleges and universities, libraries, vocational schools, driving instruction, flight schools, and modeling schools are among the establishments covered by this category. SIC major group 82 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.46 Lottery Tickets and Pari-Mutuel Betting *Idaho Code 67-7439*

Description: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

History: Enacted in 1988.

2.47 Media Measurement Services *Idaho Code 63-3622LL*

Description: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

History: Enacted in 1997.

2.48 Miscellaneous Services

Description: This includes all service industries not classified elsewhere. Includes freelance authors, lecturers, radio commentators, songwriters, weather forecasters, artists, consulting scientists, inventors, actuaries, and newspaper columnist. SIC major group 89 is in this category. This category also includes SIC industry group 495, sanitary services. Sewer and trash services are included in this industry group.

History: Exempt since enactment of the sales tax in 1965.

2.49 Educational Institution Purchases *Idaho Code 63-3622O(1)(a) and 33-5204*

Description: Exempts all purchases by nonprofit colleges, universities, primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing, gymnastics, dramatics, music, cosmetology, writing, exercise, and "other special accomplishments."

History: This was originally enacted as 63-3622(s) in 1967 and amended in 1990 to add non-resident schools with Idaho facilities. It was amended in 1993 to add all non-resident schools not otherwise excluded. 33-5204 was added in 1999 to explicitly add charter schools to this exemption.

2.50 Hospital Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by nonprofit hospitals that are licensed by the state for the care of ill persons. Excludes from exemption nursing homes or "similar institutions."

History: Originally enacted as 63-3622(s) in 1967.

2.51 Health Entity Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by certain specified "health related entities." The list consists of: the Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Mental Health Association, The ARC, The Children's Home Society of Idaho, American Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community health care centers, the Idaho Diabetes Youth Program, the Idaho Women's and Children's Alliance, and Special Olympics Idaho. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add first list of health related entities. Amended in 1986, 1990, 1999 and 2000 to expand the list.

2.52 Canal Company Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by canal companies. Canal companies are defined as nonprofit corporations whose sole purpose is operating and maintaining dams, reservoirs, canals, lateral and drainage ditches, pumps, and pumping plants.

History: Originally enacted in 1967 as 63-3622(s).

2.5.3 Forest Protective Association Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho pursuant to Chapter 1, Title 38, *Idaho Code*.

History: Enacted in 1979.

2.5.4 Food Bank Purchases *Idaho Code 63-3622O(1)(b, c)*

Description: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference, and also includes any other nonprofit corporation or association "one of whose" primary purposes is the furnishing of food or food products to others without charge.

History: Enacted in 1991. Amended in 1998 to add "growing" to the list of activities that qualify for this exemption.

2.5.5 Nonsale Clothier Purchases *Idaho Code 63-3622O(1)(d)*

Description: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined as any nonprofit corporation or association "one of whose" primary purposes is the furnishing of clothes to others without charge.

History: Enacted in 1992.

2.5.6 Centers for Independent Living *Idaho Code 63-3622O(1)(e)*

Description: Exempts sales to or purchases by centers for independent living. Centers for independent living are defined as private, non-profit, non-residential organizations where at least 51% of the governing board are individuals with disabilities.

History: Enacted in 1997.

2.5.7 State of Idaho and Local Government Purchases *Idaho Code 63-3622O(1)(f)*

Description: Exempts Idaho governmental agencies from paying sales tax on purchases.

History: Enacted in 1997; exemption was done by Tax Commission regulation from enactment of the sales tax to 1997.

2.5.8 Ronald McDonald House Rooms *Idaho Code 63-3622O(5)*

Description: This exempts the renting of a place to sleep by the Ronald McDonald House.

History: Enacted in 1997.

2.5.9 INEEL R&D Purchases *Idaho Code 63-3622BB*

Description: Exempts goods used for research and development at the Idaho National Engineering and Environmental Laboratory (INEEL).

History: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63-3615. It was amended in 1969 to limit to INEEL only. It was recodified in 1985 as 63-3622BB and removed nuclear fuel reprocessing from the exemption.

2.60 Motor Vehicle Purchases by Family Members *Idaho Code 63-3622K(c)*

Description: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

History: Section 63-3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63-3622K in 1988.

2.61 Sales by 4-H and FFA Clubs at Fairs *Idaho Code 63-3622K(b)7*

Description: Exempts sales of animals by any 4-H club or FFA club held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

History: Enacted in 1979 by amending 63-3612A. Moved to 63-3622K in 1988.

2.62 Sales by Non-Retailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6); 63-3622H*

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as a retailer. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

History: Originally enacted as 63-3622(j, l) in 1965.

2.63 Sales by Indian Tribes on Reservations *Idaho Code 63-3622Z*

Description: Exempts sales by Indian Tribal Enterprises from sales and use tax. This exemption allows a tribal enterprise to make sales to both Indians and non-Indians without collecting sales tax. Further, it provides that no use tax applies to the purchase even if the non-Indian removes the goods from the reservation.

History: Originally enacted as 63-3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define reservation.

2.64 Sales of Meals by Churches to Members *Idaho Code 63-3622J*

Description: Exempts meals sold at church functions to members of the congregation.

History: Originally enacted as 63-3622(k) in 1965.

2.65 Sales by Outfitters and Guides *Idaho Code 63-3613(b)9*

Description: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

History: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

2.66 Sales Through Vending Machines *Idaho Code 63-3613(e)*

Description: Allows retailers selling products through vending machines for \$1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

History: Enacted in 1977.

2.67 Auto Manufacturer Rebates *Idaho Code 63-3613(b)8*

Description: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

History: Enacted in 1990.

2.68 Incidental Sales of Churches *Idaho Code 63-3622KK*

Description: Exempts sales by churches that do not regularly compete with private enterprise.

History: Enacted in 1990.

2.69 Federal Excise Tax Imposed at Retail Level *Idaho Code 63-3613(b)5*

Description: Excludes retail level federal excise taxes from the taxable sales price.

History: Originally enacted in 1965.

2.70 Federal Constitutional Prohibitions *Idaho Code 63-3622A*

Description: State cannot tax goods when prohibited by the U.S. Constitution.

History: Originally enacted in 1965 as 63-3622(a).

2.71 Other Federal and State Statutory Prohibitions

Description: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, Credit Unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, Foreign Diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Jr. College Dormitory Housing Authority, Production Credit Association, and Regional Airport Authority.

History: Varies by statute.

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1.01	Investment Tax Credit	63-3029B
1.02	Other States Tax Credit	63-3029
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1.05	Schools, Libraries, and Museums Credit	63-3029A
1.06	Grocery Credit	63-3024A
1.07	Recycling Equipment Credit	63-3029D
1.08	Technological Equipment Deduction	63-3022J
1.09	Alcohol/Gasohol Production Deduction	63-3022(m) - <i>Repealed</i>
1.10	Alternative Energy Devices Deduction	63-3022C
1.11	Insulation Deduction	63-3022B
1.12	Workers' Comp. Premium Deduction	63-3022(p)
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1.14	College Savings Deduction	63-3022(o)
1.15	Health Insurance Deduction	63-3022O
1.16	Elderly & Developmentally Disabled Deduction	63-3022E
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1.19	New Employees Credit Deduction	63-3029F
1.20	Riparian Land Improvements	63-3024B
1.21	Capital Gains Exclusion	63-3022H
1.22	Government Interest Exclusion	63-3022(a)
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1.24	Railroad Retirement Exclusion	63-3022(o)
1.25	Retirement Benefit Exclusion	63-3022A
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1.27	Indian Earnings on Reservation Exclusion	Idaho Income Tax Regulation 30
1.28	World War II Reparations Exclusion	63-3022G
1.29	Marriage Penalty Deduction	63-3022N
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2.03	Irrigation Equipment & Supplies	63-3622W
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2.05	Broadcast Equipment & Supplies	63-3622S
2.06	Publishing Equipment and Supplies	63-3622T
2.07	Commercial Aircraft	63-3622GG
2.08	Railroad Rolling Stock & Remanufacturing	63-3622CC 63-3622DD
2.09	Interstate Trucks	63-3622R
2.10	Out-of-State Contracts	63-3622B
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2.13	Food Stamps/WIC	63-3622EE 63-3622FF
2.14	Motor Vehicles Used Outside of Idaho	63-3622R
2.15	Common Carrier Purchases & Out-of-State Sales	63-3622Q 63-3622P
2.16	Donation of Real Property to Idaho Government	63-3621(l)
2.17	Incidental Sales of Tangible Personal Property	63-3609
2.18	Lodging, Eating, & Drinking Places	63-3612
2.19	School Lunches & Senior Citizens Meals	63-3622J
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2.34	Telecommunications Equipment	63-3613(b) 63-3621(a)
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63-3022(l)	1.23	Social Security Exclusion
	1.24	Railroad Retirement Exclusion
63-3022(m) - <i>Repealed</i>	1.09	Alcohol/Gasohol Production Deduction
63-3022(m)	1.12	Workers' Comp. Premium Deduction
63-3022(o)	1.14	College Savings Deduction
63-3022(r)-(t)	1.18	Medical Savings Account Deduction
63-3022A	1.25	Retirement Benefit Exclusion
63-3022B	1.11	Insulation Deduction
63-3022C	1.10	Alternative Energy Device Deduction
63-3022D	1.13	Child Care Deduction
63-3022E	1.16	Elderly & Developmentally Disabled Deduction
63-3022G	1.28	World War II Reparations Exclusion
63-3022H	1.21	Capital Gains Exclusion
63-3022I	1.17	Adoption Expense Deduction
63-3022J	1.08	Technological Equipment Deduction
63-3022K	1.18	Medical Savings Account
63-3022M	1.22	Government Interest Exclusion
63-3022N	1.29	Marriage Penalty Deduction
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63-3029C	1.04	Youth & Rehabilitation Credit
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63-3029F	1.19	New Employees Credit Deduction
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63-3622D	2.01	Production Exemption - Equipment
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63-3622GG	2.07	Commercial Aircraft
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63-3622I	2.30	Nonprofit Literature
63-3622II	2.26	Vending Machines & Amusement Devices
63-3622J	2.19	School Lunches & Senior Citizens Meals
	2.64	Sales of Meals by Churches to Members
63-3622JJ	2.01	Production Exemption - Equipment
63-3622K(b)(1,6)	2.62	Sales by Non-Retailers (Yard & Occasional Sales)
63-3622K(b)(2-5)	2.12	Sale or Lease of Businesses or Business Assets
63-3622K(b)7	2.61	Sales by 4-H & FFA Clubs at Fairs
63-3622K(c)	2.60	Motor Vehicle Purchases by Family Members
63-3622KK	2.68	Incidental Sales of Churches
63-3622LL	2.47	Media Measurement Services
63-3622N	2.27	Prescriptions and Durable Medical Equipment
63-3622NN	2.21a	Clean Rooms
63-3622O(1)(a)	2.49	Educational Institution Purchases
63-3622O(1)(a)	2.50	Hospital Purchases
63-3622O(1)(a)	2.51	Health Entity Purchases
63-3622O(1)(a)	2.52	Canal Company Purchases
63-3622O(1)(a)	2.53	Forest Protective Association Purchases
63-3622O(1)(b, c)	2.54	Food Bank Purchases
63-3622O(1)(d)	2.55	Nonsale Clothier Purchases
63-3622O(1)(e)	2.56	Centers for Independent Living
63-3622O(1)(f)	2.57	State of Idaho and Local Government Purchases
63-3622O(5)	2.58	Ronald McDonald House Rooms
63-3622P	2.15	Common Carrier Purchases and Out-of-State Sales
63-3622Q	2.15	Common Carrier Purchases and Out-of-State Sales
63-3622R	2.09	Interstate Trucks
	2.14	Motor Vehicles Used Outside of Idaho
	2.25	Used Mobile Homes
63-3622S	2.05	Broadcast Equipment & Supplies
63-3622T	2.06	Publishing Equipment and Supplies
63-3622U	2.28	Funeral Caskets
63-3622V	2.32	Precious Metal Bullion
63-3622W	2.03	Irrigation Equipment & Supplies
63-3622X	2.04	Pollution Control Equipment
63-3622Y	2.04	Pollution Control Equipment
63-3622Z	2.63	Sales by Indian Tribes on Reservations
67-7439	1.26	Idaho Lottery Winnings Exclusion
	2.46	Lottery Tickets and Pari-Mutuel Betting